Zenith
Intelligent Vehicle Solutions

UNAUDITED FINANCIAL RESULTS, THIRD QUARTER ENDED DECEMBER 31, 2021

HIGHLIGHTS

Trading performance

- In Q3, total fleet increased by c. 6.6k units to 158k units at December 31, 2021
- Funded fleet increased c. 1.6k units, mostly reflecting the continuing growth in ZenAuto
- Managed fleet increased c. 5.0k units, strong growth in Commercial and Consumer (white label)
- Latent growth, particularly in salary sacrifice and BEVs, demonstrated by three consecutive quarters of record Corporate orders
- Over half of the order bank is for BEVs, as we support our customers in the transition to net zero
- ZenAuto development continues: brand equity through the nationwide marketing campaign with the “Don’t Buy It, Zen It” tagline; and new offers such as a free smart charger for certain BEVs and a temporary used PCH[1] offer while customers await their new vehicle
- Ukraine crisis: full impact on automotive supply to be assessed, but likely to cause production delays and further lengthening of lead times

Financial performance: quarter and year-to-date

- LTM[2] Revenue of £556.6m to December 31, 2021
- Revenue: growth of £65.4m year-to-date, or +19%. Q3 revenue was down £3.0m to £128.3m, reflecting lower vehicle disposal and related revenues, with vehicle termination volumes lower as customers kept their vehicles for longer, given the shortage of new vehicle supply in Q3
- Gross Profit (or “Total Income”): double-digit growth year-on-year in Q3 in all three divisions
- Gross Profit / Total Income growth of +£3.8m or +13% in Q3, despite lower termination volumes
- Adjusted EBITDA (excluding ZenAuto): growth of £2.2m in Q3 alone, to a LTM position of £76.1m, up 24% on year ended March 31, 2021
- Key growth drivers have been profits on disposal of used vehicles (“RV Profits”), fleet on extension and trailer rental utilisation, plus acquisitive growth via Zenith Commercial
- Reported EBITDA: growth of +£1.4m in Q3, up £14.5m on a Q3 YTD[3] basis to £57.2m
- Robust cash flow, with cash conversion of 90% on Q3 YTD basis
- Cash position of £25.0m, and further strengthened by c. £30m *pro forma* for recent bond issue, and new £65m RCF undrawn, with available liquidity of approximately £110m
- De-leveraged to 5.5x senior leverage ratio at December 31, 2021[4]

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[1] Personal Contract Hire
[2] Last Twelve Months to December 31, 2021
[3] Financial year to date from March 31, 2021, to December 31, 2021
[4] Leverage is stated after deducting cash held by SPVs in our securitisation, prior to costs/fees of recent bond issuance, and is based on Adjusted EBITDA excluding ZenAuto on a LTM basis

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PRESENTATION OF FINANCIAL DATA

This report summarises consolidated financial and operating data derived from the unaudited consolidated financial statements of Zenith Automotive Holdings Limited, the parent company of Zenith Finco plc. The summary financial information provided herein has been derived from our records for the accounting calendar quarter to December 31, 2021, and nine months to December 31, 2021, which are maintained in accordance with FRS 102 and FRS 104.

The financial information contained within this report remains subject to audit and subsequent review.

We have presented certain non-FRS information in this quarterly report. This information includes "EBITDA", "Adjusted EBITDA" and other measures derived therefrom, which represents earnings before interest, tax, depreciation, amortisation, impairment and exceptional items, and, in the case of "Adjusted EBITDA", before operating losses from ZenAuto Limited.

Our management believes metrics derived from EBITDA are meaningful for investors because they provide an analysis of our operating results, profitability and ability to service debt. Measures derived from EBITDA are also used by management to track our business development, establish operational and strategic targets and make important business decisions. EBITDA is the measure commonly used by investors and other interested parties.

Comparative information has been provided, where appropriate, for the audited full year ended March 31, 2021, the nine months ended December 31, 2021, and the calendar quarter ended December 31, 2021. We have also presented information for the twelve months ended December 31, 2021, and, where appropriate, the for the twelve months ended September 31, 2021, as presented in the offering memorandum dated January 20, 2022.

References to "Zenith", "Zenith Group" and "the Group" refer to Zenith Automotive Holdings Limited and all of its subsidiaries.

Due to rounding, certain numbers presented throughout this report may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

DISCLAIMER

This report is for information purposes only and does not constitute an offer to sell or the solicitation of an offer to buy securities. This report does not contain all of the information that is material to an investor.

FORWARD LOOKING STATEMENTS

This report contains “forward-looking statements” as that term is defined by the U.S. federal securities laws and within the meaning of the securities laws of certain other jurisdictions. These forward looking statements include, without limitation, those regarding our intentions, beliefs or current expectations concerning our future financial condition or performance, result of operations and liquidity; our strategy, plans, objectives, prospects, growth, goals and targets; future developments in the markets in which we participate or are seeking to participate; and anticipated regulatory changes in the industry in which we operate.

These statements often include words such as “anticipate”, “ believe”, “could”, “estimates”, expect”, “forecast”, “intend”, “may”, “plan”, “projects”, “should”, “suggests”, “targets”, “would”, “will” and other similar expressions. These statements are not guarantees of performance or results. Many factors could affect our actual financial results or results of operations and could cause actual results to differ materially from those expressed in the forward-looking forward looking statements and projections.

We undertake no obligation to review or confirm analysts’ expectations or estimates or to release publicly any revisions to any forward looking statements to reflect events or circumstances after the date of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Zenith is the largest independent provider of Mobility as a Service ("MaaS") in the UK by vehicles under management, including all asset types, such as cars, vans, trucks and trailers. As a MaaS player, we provide vehicle contract hire, fleet management, leasing and subscription-type services across three main distribution channels: B2B, B2B2E and B2C[5].

As of December 31, 2021, we had approximately 158,000 vehicles under management, with approximately 68,000 vehicles in our funded fleet and approximately 90,000 vehicles in our managed fleet. We operate across the corporate, commercial and consumer sectors, specialising in bespoke mobility solutions. Our specialisms range from cars to LCVs to mission critical HGVs and trailers.

By funding, enabling and influencing our customers to switch to BEVs, we are a key enabler of sustainable mobility, playing a significant role in the decarbonisation of the UK vehicle parc with BEVs[6] representing more than half of our corporate order book as of December 31, 2021.

For the twelve months ended December 31, 2021, we generated gross profit of £128.8 million and Adjusted EBITDA excluding ZenAuto of £76.1 million.

Our divisions: Corporate, Commercial and Consumer

Corporate: As of December 31, 2021, our Corporate division was our largest segment, by revenue, with a fleet of 49,740 vehicles, of which 42,846 were funded and 6,894 managed. Our Corporate division offers company car and van schemes, various vehicle funding solutions, including salary sacrifice schemes, as well as a comprehensive suite of ancillary services and products, such as service and maintenance packages. Our focus is on sole-supply, long-term relationships with prime corporate clients. Our services cover a range of leasing options, focusing on contract hire. We also provide a rental vehicle (brokerage) service for corporate customers. For the twelve months ended December 31, 2021, the Corporate division accounted for turnover of £364.8 million (or 65% of total turnover) and gross profit of £85.4 million (or 66% of total gross profit).

Commercial: As of December 31, 2021, our commercial fleet numbered 51,038 vehicles, of which 16,962 were funded and 34,076 were managed, making Zenith one of the UK's largest operators in specialist commercial vehicle management and trailer rental. Our Commercial division offers a range of vehicle specifications, procurement, funding, rental, maintenance, fleet management and related specialist services to operators of large commercial fleets under two trading names: Zenith Commercial Fleet Solutions and Zenith Trailer Rentals. Our commercial fleet comprises trucks, tractors, trailers, vans and other special commercial vehicles. Following our acquisition of certain trade and assets of the former Cartwright Group to establish CVR and CVFS in September 2020, we have grown our trailer rental operations and commercial fleet servicing, respectively, and now offer a direct maintenance service to commercial customers through a network of workshops and mobile service units (i.e. mobile technicians).

[5] Business to Business, Business to Business to Employee, Business to Consumer
[6] Battery Electric Vehicles

For the twelve months ended December 31, 2021, the Commercial division accounted for turnover of £162.2 million (or 29% of total turnover) and gross profit of £31.5 million (or 25% of total gross profit).

Consumer: As of December 31, 2021, our Consumer fleet comprises 57,237 vehicles, 8,258 of which were funded ZenAuto vehicles and 48,979 were managed BPO ("Business Process Outsourcing" or "White Label") vehicles. Our Consumer division is comprised of two main businesses: ZenAuto and BPO. ZenAuto is a leading digital end-to-end B2C platform for new and used PCH ("Personal Contract Hire") offers, with fleet growth of 71%, or 3,432 units, in the nine months ended December 31, 2021. The B2C market exhibits favourable characteristics, including attractive lifetime value, favourable per unit economics and low costs of customer acquisition. We have a similar proposition for BEVs which trades under the name Electric.Auto. ZenAuto was founded on new vehicle leasing, but extended the range to cover first-used vehicle leasing in mid-2021. Our BPO operation offers our services for consumer finance and manufacturer point of sale financing options. For the twelve months ended December 31, 2021, the Consumer division accounted for turnover of £29.6 million (or 5% of total turnover) and gross profit of £11.8 million (or 9% of total gross profit).

Key performance indicators

We use a range of commercial, financial and other KPIs to monitor our business. We believe that 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.

Fleet size and growth

Zenith Automotive Holdings Limited	As of March 31,			As of December 31,	
	2019	2020	2021	2020	2021
Funded Fleet	53,539	54,112	66,744	63,147	**68,066**
Managed Fleet	84,193	89,534	80,459	80,801	**89,949**
Total Fleet	137,732	143,646	147,203	143,948	158,015

We increased the size of our fleet to December 31, 2021, by 14,067 units or 9.8% versus December 31, 2020. We also increased our fleet from 151,435 units as at September 30, 2021, by 6,580 units or 4.3%. The growth from September 30, 2021, was via the managed fleet, within both Commercial and Consumer (white label), which increased by a combined 4,952 units, and via the funded fleet within Corporate and Consumer (ZenAuto), which increased by a combined 1,628 units.

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Financial KPIs

Zenith Automotive Holdings Limited (£000)	For the three months ended December 31,		For the nine months ended December 31,		For the twelve months ended December 31,
	2020	2021	2020	2021	2021
Turnover	131,264	128,275	337,193	402,636	**556,567**
Gross profit	29,292	33,127	74,601	100,147	**128,762**
Adjusted EBITDA, before ZenAuto	17,207	19,385	45,062	59,673	**76,078**
Adjusted Operating Cash Flow	16,344	1,103	42,995	32,259	**65,611**
Cash conversion %	n/m	n/m	101%	84%	**90%**

(1) Cash conversion is based on Adjusted EBITDA, i.e. including ZenAuto

(2) Cash conversion in the nine months ended December 31, 2021, and for the twelve months ended December 31, 2021, are not adjusted for the repayment, in instalments from April 2021 to December 2021, of £8m 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.

Our financial performance in the most recent period to December 31, 2021 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 three months ended December 31,		For the nine months ended December 31,		For the twelve months ended December 31,
	2020	2021	2020	2021	2021
Turnover[1]	**131,264**	**128,275**	**337,193**	**402,636**	**556,567**
Cost of sales[1]	(101,973)	(95,148)	(262,592)	(302,489)	(427,805)
Gross profit[1,2]	**29,292**	**33,127**	**74,601**	**100,147**	**128,762**
Operating expenses	(12,801)	(15,196)	(31,880)	(42,934)	(56,195)
Operating profit before depreciation of owned tangible fixed assets, amortisation of goodwill and intangible assets and exceptional items	**16,491**	**17,931**	**42,721**	**57,213**	**72,567**
Depreciation of owned fixed assets	(1,485)	(1,714)	(4,334)	(4,792)	(6,367)
Amortisation of goodwill	(5,968)	(6,081)	(17,905)	(18,244)	(24,441)
Amortisation of intangible assets	(6,591)	(6,660)	(19,774)	(19,980)	(26,571)
Operating exceptional items[3]	(451)	(25)	(581)	(63)	160
Operating profit/(loss)	**1,995**	**3,451**	**127**	**14,134**	**15,347**
Finance costs (net)	(25,612)	(27,673)	(77,868)	(81,763)	(108,456)
Finance costs (previous term Facilities and revolving credit facility)[4]	(11,674)	(12,183)	(31,174)	(30,431)	(36,956)
Finance costs (on shareholder instruments)[5]	(13,939)	(15,490)	(46,695)	(51,332)	(71,500)
Loss before taxation	**(23,617)**	**(24,222)**	**(77,742)**	**(67,629)**	**(93,108)**
Tax credit/(charge) on loss	(8,437)	(199)	(5,427)	(19,712)	(9,909)
Loss for the financial period attributable to the shareholders of the group	**(32,054)**	**(24,421)**	**(83,168)**	**(87,341)**	**(103,018)**

(3) We acquired certain trade and assets of the Cartwright Group in September 2020. Turnover and gross profit in the nine months ended December 31, 2021, include £56.0 million and £12.6 million, respectively, relating to the acquisition of certain trade and assets of Cartwright. The acquisitions were completed on September 30, 2020, therefore the three months ended December 31, 2021, and December 31, 2020, both include a full period of trading.

(4) 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.

(5) Operating exceptional items are costs that do not relate to the Group's normal business operations and which in management's judgement are considered material individually or in aggregate (if of a similar type) due to their size or frequency.
(6) Finance costs (previous term facilities and revolving credit facilities) includes amounts due under the previous term facilities and previous revolving credit facilities, and costs incurred in operating the day to day banking of the business. The previous term and revolving credit facilities were refinanced in January 2022.
(7) 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.

Divisional performance summary

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

Corporate

(£000)	For the three months ended December 31,		For the nine months ended December 31,		For the twelve months ended December 31,
	2020	2021	2020	2021	2021
Turnover	88,071	81,462	250,595	265,515	**364,794**
Gross profit	19,005	20,862	52,340	66,097	**85,444**

Commercial

(£000)	For the three months ended December 31,		For the nine months ended December 31,		For the twelve months ended December 31,
	2020	2021	2020	2021	2021
Turnover	37,550	37,970	71,912	112,474	**162,152**
Gross profit	7,942	8,916	14,333	24,641	**31,496**

Consumer

(£000)	For the three months ended December 31,		For the nine months ended December 31,		For the twelve months ended December 31,
	2020	2021	2020	2021	2021
Turnover	5,643	8,843	14,686	24,648	**29,621**
Gross profit	2,475	3,386	7,927	9,409	**11,822**

Comparison of results of operations for the three months ended December 31, 2020 and 2021

Turnover

Turnover decreased by £3.0 million, or 2.3%, to £128.3 million for the three months ended December 31, 2021, from £131.3 million for the three months ended December 31, 2020. The decrease in turnover was primarily due to a reduction of £5.2 million in vehicle sales revenues (or 15%) caused by lower volumes of terminations (disposals) of vehicles in the period, and a reduction in sundry incomes that are attached to vehicle terminations, such as service and maintenance incomes that are recognised on vehicle disposal. The reduction in vehicle terminations was due to the shortage of new vehicles in the market, which causes customers who require a "key-for-key" exchange to retain their existing vehicle for longer, as lead times on new vehicles lengthened. The shortage of semiconductors in the auto supply chain was the key influence behind this trend, which lengthened lead times substantially. This was one factor behind the increase in the order book within our Corporate division, which increased from approximately 8,600 orders at September 30, 2021, to approximately 10,900 orders at December 31, 2021. This compares to a Corporate order bank of approximately 5,200 orders at December 31, 2020.

Despite the reduction in vehicle terminations and sundry vehicle disposal revenues, the other elements of our turnover were robust: with lease income broadly flat on the prior period (at £75.3 million for the quarter), and other revenue up £2.5 million, mainly driven by trailer rental utilisation rates within the CVR business in our Commercial division.

Within our Consumer division, turnover of ZenAuto increased by £2.7 million (or 71%), driven by an expanding funded fleet (generating lease income) and a higher volume and value of terminations (from a much lower base in the three months ended December 31, 2020, when the ZenAuto fleet was substantially smaller).

Corporate

Turnover of our Corporate division decreased by £6.6 million, or 7.5%, to £81.5 million for the three months ended December 31, 2021 from £88.1 million for the three months ended December 31, 2020. The decrease in Corporate turnover was primarily due to the lower volumes of terminations (return of vehicles by customers for disposal in the used vehicle market) and sundry vehicle disposal revenues, for the reasons described above. This was partially offset by higher rates of revenue per used vehicle (as market prices in the used vehicle market have increased since the prior period). Within the Corporate division, the rental business benefitted by the relaxation of Covid lockdown constraints on daily vehicle rental, compared to the three months ended December 31, 2020.

The lengthening lead times on new vehicle deliveries, the growth in BEVs and the growth inherent in market segments such as salary sacrifice (where the tax environment for BEVs as an employee perk is highly beneficial) all contribute towards an order bank within Corporate that reached approximately 10,900 orders as at December 31, 2021, from approximately 8,600 orders as at September 30, 2021, and from approximately 5,200 orders as at December 31, 2020. The latest position as at February 28, 2022, is a further increase in the order bank to approximately 12,100 orders.

Commercial

Turnover and operating performance of our Commercial division is on a like-for-like basis between the two periods, because the acquisitions of the former Cartwright businesses (CVFS and CVR) were completed on September 30, 2020.

Turnover increased by £0.4 million, or 1%, to £38.0 million for the three months ended December 31, 2021, from £37.6 million for the three months ended December 31, 2020. The increase in Commercial turnover was primarily due to the beneficial impact of continuing high trailer utilisation rates in our CVR business, where demand has remained high in sectors such as online grocery and parcel delivery, but also in the movement of goods in general. This was counteracted by a reduction in the volume of terminations from our funded fleet within the CVL business, for similar reasons to the same trend within Corporate.

Consumer

Turnover of our Consumer division increased by £3.2 million, or 57%, to £8.8 million for the three months ended December 31, 2021, from £5.6 million for the three months ended December 31, 2020. The increase in Consumer turnover was primarily due to the growth in the fleet size following the investments made in the business ZenAuto brand, which continues the trend seen to March 31, 2021, and to September 30, 2021. The funded fleet increased to 8,258 vehicles by December 31, 2021, from 4,826 vehicles as at December 31, 2020, i.e. a 71% increase over the twelve month period. This growth was achieved despite the relative shortage of new vehicles available in the market (caused by factors such as the semiconductor shortage) and despite some dampening of consumer confidence in the latter part of the year due to inflation and other factors affecting consumers. The positive reaction and increase in traffic as a result of the ZenAuto nationwide marketing campaign continued into Q3.

Cost of Sales

Cost of sales reduced by £6.8 million, or 6.7%, to £95.1 million for the three months ended December 31, 2021, from £102.0 million for the three months ended December 31, 2020. The decrease in cost of sales was primarily due to the lower volume of terminations (explained above), which reduced the aggregate carrying value of vehicles disposed of in the period. This was somewhat offset by: (i) an increase in the cost of funding for the three months ended December 31, 2021, from the three months ended December 31, 2020, as a result of the refinancing of our securitisation facilities that was completed in August 2021; and (ii) an increase in cost of sales as a result of greater trading activity in the ZenAuto business.

Cost of sales represented 74.2% of turnover for the three months ended December 31, 2021 and included £30.0 million of depreciation of securitised, HP and operating lease assets and £2.3 million of funding costs of securitised and HP assets. Cost of sales represented 77.7% of turnover for the three months ended December 31, 2020 and included £19.8 million of depreciation of securitised, HP and operating lease assets and £1.4 million of funding costs of securitised and HP assets. The decrease in cost of sales as a proportion of turnover between the two periods was caused by a change in the mix of income across our Group (away from vehicle disposal activity and towards lease margin and in-life services) and the positive contribution of CVFS and CVR, in respect of improved trailer utilisation. 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 £3.8 million, or 13.1%, to £33.1 million for the three months ended December 31, 2021 from £29.3 million for the three months ended December 31, 2020. The primary driver of growth were termination profits (i.e. profits on disposal of vehicles on termination of vehicles, otherwise known as “Residual Value (RV) profits”), which increased £5.0 million, or 117%, to £9.3 million, for the three months ended December 31, 2021 versus the prior period. This was despite a reduction in volumes of terminations during the period of approximately 34%, for the reasons described above.

Other factors influencing the increase in gross profit were the volume of extended fleet within our Corporate and Commercial funded fleets, where margins are relatively higher than during the primary lease period (and again benefitting from the relative shortage of new vehicles, which encourages customers to extend their arrangements beyond the primary lease period), offset by relatively higher funding costs for the three months ended December 31, 2021 and a negative impact of change in fleet mix between Corporate (where lease margin is higher, but the funded fleet was lower year-on-year) and Commercial (where the opposite was the case).

Further, the relatively high utilisation rates on trailers within our CVR business within Commercial was a positive impact on gross profit and gross margin, though offset by adverse mix of income within our Consumer book.

Corporate

Gross profit in the Corporate division increased by £1.9 million, or 9.8%, to £20.9 million for the three months ended December 31, 2021 from £19.0 million for the three months ended December 31, 2020. This caused gross margin to reach 26% of revenue for the three months ended December 31, 2021, compared to 22% for the three months ended December 31, 2020.

Within Corporate, the key driver was the RV profits described above, since our Corporate division accounted for the vast majority of RV profits in both periods. However, the same factors influencing service, maintenance and other incomes that are driven by vehicle terminations (and, in turn, new deliveries) were reduced, again driven by the lower termination volumes compared to the same quarter in the previous year.

The remaining change in gross profit was influenced by the volume of extended fleet within our Corporate funded fleet, where margins are relatively higher than during the primary lease period (and again benefitting from the relative shortage of new vehicles, which encourages customers to extend their arrangements beyond the primary lease period). However, lease margin was impacted by higher cost of funding for the three months ended December 31, 2021, from the three months ended December 31, 2020, as a result of the refinancing of our securitisation facilities that was completed in August 2021. The net effect of these factors was a £1.3 million reduction in gross profit for the three months ended December 31, 2021. In addition, changes in the mix of our income streams between lease margin, in life services and vehicle disposal income streams had a beneficial effect.

Commercial

Gross profit in the Commercial division increased by £1.0 million, or 12.3%, to £8.9 million for the three months ended December 31, 2021 from £7.9 million for the three months ended December 31, 2020. The increase in Commercial gross profit was primarily due to positive impact of higher trailer utilisation rates within the CVR business and the beneficial effect of vehicles on late hire or extended terms (similar to the impact within Corporate) within CVL.

Consumer

Gross profit in the Consumer division increased by £0.9 million, or 36.8%, to £3.4 million for the three months ended December 31, 2021 from £2.5 million for the three months ended December 31, 2020. The increase in Consumer gross profit was primarily due to growth in fleet size within the ZenAuto business, but offset partially by lower transaction volumes within the White Label operation, particularly with new deliveries, which were impacted by the supply chain factors within the automotive market.

Operating Expenses

Operating expenses increased by £2.4 million, or 18.7%, to £15.2 million for the three months ended December 31, 2021 from £12.8 million for the three months ended December 31, 2020. The increase in operating expenses was primarily due to additional 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. In the financial year ended March 31, 2021, these costs were accrued predominantly in the final quarter of the year, whereas in the current year we have accrued such costs more evenly over the course of the year. Therefore there was a negative timing effect in the three months ended December 31, 2021, of approximately £0.9 million.

In addition, we ran the nationwide ZenAuto marketing campaign in the current financial year, whereas this was absent from the preceding period. The cost of the ZenAuto marketing campaign in the three months ended December 31, 2021, was £0.8 million. In addition, the growth in income and fleet of the business in the three months ended December 31, 2021, compared to the three months ended December 31, 2020, generates additional overheads in certain variable costs or semi-variable costs that are included within operating expenses, such as people costs for those in transactional roles and certain promotional costs within ZenAuto.

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 reflect the cost of, inter alia, the previous term debt and revolving credit facilities, which were refinanced in January 2022.

Finance costs increased by £2.1 million, or 8.0%, to £27.7 million for the three months ended December 31, 2021 from £25.6 million for the three months ended December 31, 2020. The increase in finance costs was primarily due to the increased Loan Note and Preference Share interest, as a result of the underlying balances increasing due to the annual compounding of interest.

Tax Credit / (Charge)

Tax credit/(charge) changed by £8.2 million, to a charge of £0.2 million for the three months ended December 31, 2021 from a charge of £8.4 million for the three months ended December 31, 2020. The change in tax credit/(charge) was primarily due to the earlier recording of the recalculation of deferred tax on intangible assets as a result of the increase in corporate tax from 19% to 25% from April 1, 2023, which was booked in the six months ended September 30, 2021. The remaining £0.2 million charge in the three months ended December 31, 2021, reflects the expected current tax charge of the trading profits of the group in relation to the period, i.e. without any alteration to deferred tax assumptions.

The year-to-date charge of £19.7 million, for the nine months ended December 31, 2021, includes an impact of £19.6 million arising from the recalculation of the deferred tax provision, in line with recent changes to UK corporation tax rate, which are a non-cash item, both now and in the future.

Comparison of results of operations for the nine months ended December 31, 2021 and 2020

Turnover

Turnover increased by £65.4 million, or 19.4%, to £402.6 million for the nine months ended December 31, 2021 from £337.2 million for the nine months ended December 31, 2020. The increase in turnover was primarily due to the impact of the acquisition during the prior period of certain trade and assets of the Cartwright business, which contributed £56.0 million of turnover in the period, compared to £19.3 million in the nine months ended December 31, 2020 (i.e. for the period from acquisition on September 30, 2020, to December 31, 2020). This was offset in part as a result of the global COVID-19 pandemic, which led to a reduction of turnover in the Corporate division, due to a reduced need by our Corporate customers for short-term hire vehicles during the lockdown periods. In addition, there was less vehicle maintenance and accident management activity as a result of vehicles not being used during the travel restrictions. Residual values incomes increased during the period due to higher rates of profit per unit, but offset by lower volumes of terminations, particularly in the final quarter of the current period.

Corporate

Turnover in the Corporate division increased by £14.9 million, or 6.0%, to £265.5 million for the nine months ended December 31, 2021 from £250.1 million for the nine months ended December 31, 2020. The increase in Corporate turnover was primarily due to the beneficial effect of higher residual values on vehicles disposed of during the period, notwithstanding the dampening effect on volumes caused by the shortage of supply of new vehicles in the market. In addition, the easing of Covid lockdown conditions, in general, from the prior period to the current period had a beneficial impact on in life services, which are related to vehicle usage, and the short-term rental brokerage business within our Corporate division.

Commercial

Turnover in the Commercial division increased by £40.6 million, or 56.4%, to £112.5 million for the nine months ended December 31, 2021 from £71.9 million for the nine months ended December 31, 2020. The increase in Commercial turnover was primarily due to the acquisition of certain trade and assets of certain parts of Cartwright, which contributed an *additional* turnover of £36.6 million in the period. The remainder of the positive change for the nine months ended December 31, 2021, was the impact of late hires and extended fleet (in common with our Corporate) business and, to a lesser extent, the positive impact of higher vehicle disposal values on terminations.

Consumer

Turnover in the Consumer division increased by £10.0 million, or 67.8%, to £24.6 million for the nine months ended December 31, 2021 from £14.7 million for the nine months ended December 31, 2020. 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. This was somewhat offset by moderately lower turnover through our

White Label business, where in life and, in particular, delivery incomes were impacted by the shortage of new vehicles in the supply chain.

Cost of Sales

Cost of sales increased by £39.9 million, or 15.2%, to £302.5 million for the nine months ended December 31, 2021 from £262.6 million for the nine months ended December 31, 2020. The increase in cost of sales was primarily due to the additional costs of the former Cartwright business, CVFS and CVR, in an amount of £28.7 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 75.1% of turnover for the nine months ended December 31, 2021 and included £96.3 million of depreciation of securitised, HP and operating lease assets and £6.8 million of funding costs of securitised and HP assets. Cost of sales represented 77.9% of turnover for the nine months ended December 31, 2020 and included £89.5 million of depreciation of securitised, HP and operating lease assets and £5.5 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 £25.5 million, or 34.2%, to £100.1 million for the nine months ended December 31, 2021 from £74.6 million for the nine months ended December 31, 2020. The primary drivers of growth were termination profits and the impact of the acquisition of CVFS and CVR by our Commercial division.

Termination profits (i.e. profits on disposal of vehicles on termination of vehicles, “Residual Value (RV) profits”) increased £16.4 million, or 151%, to £27.4 million, for the nine months ended December 31, 2021. The volumes of terminations during the nine months ended December 31, 2021, increased by 9%, but the key period of positive variance was the six months to September 30,2021, due to the comparative period suffering the effects of Covid-19 and lockdowns, where customers were unable or unwilling to dispose of vehicles because of the prevailing lockdown conditions and corporate customers’ response to the lockdowns, which encouraged drivers and customers to extend vehicle contracts instead.

The impact of the acquisition of CVFS and CVR by Commercial was that these businesses contributed £12.6 million of the growth in the period in gross profit for the nine months ended December 31, 2021.

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 £13.8 million, or 26%, to £66.1 million for the nine months ended December 31, 2021 from £52.3 million for the nine months ended December 31, 2020. 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 final three months of the period.

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.

Commercial

Gross profit in the Commercial division increased by £10.3 million, or 71.9%, to £24.6 million for the nine months ended December 31, 2021 from £14.3 million for the nine months ended December 31, 2020. 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 £12.6 million in the period.

Consumer

Gross profit in the Consumer division increased by £1.5 million, or 18.7%, to £9.4 million for the nine months ended December 31, 2021 from £7.9 million for the nine months ended December 31, 2020. 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.

Operating Expenses

Operating expenses increased by £11.1 million, or 34.7%, to £42.9 million for the nine months ended December 31, 2021 from £31.9 million for the nine months ended December 31, 2020. The increase in operating expenses was primarily due to the acquisition of certain trade and assets of the former Cartwright group, via CVFS and CVR, adding £5.0 million of operating expenses and investment in the Consumer business of £2.5 million where our investments are leading to material growth of our ZenAuto brand (such as in the nationwide marketing campaign), 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. In the financial year ended March 31, 2021, these costs were accrued predominantly in the final quarter of the year, whereas in the current year we have accrued such costs more evenly over the course of the year. Therefore there was a negative timing effect in the nine months ended December 31, 2021, of approximately £1.8 million.

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 reflect the cost of the previous term and revolving credit facilities for the nine months ended December 31, 2021. These previous term and revolving facilities were refinanced in January 2022.

Finance costs increased by £3.9 million, or 5.0% to £81.8 million for the nine months ended December 31, 2021, from £77.9 million for the nine months ended December 31, 2020. The increase in finance costs was primarily a result of the underlying balances increasing due to the annual compounding of interest.

Tax Credit / (Charge)

Tax charge increased by £14.2 million, or 263%, to a charge of £19.7 million for the nine months ended December 31, 2021 from a charge of £5.4 million for the nine months ended December 31, 2020. The increase in tax charge was primarily due to a £19.6 million deferred tax charge as a result of the increase in enacted tax rates from 17% to 19% in March 2020.

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 December 31, 2021, we had drawn £501.8 million on our securitisation facilities (September 30, 2021: £469.2 million). We had also drawn £144.5 million on our RV facilities (September 30, 2021: £147.8 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 £871.7 million (£725.0 million in respect of bifurcated and non-bifurcated securitisation facilities, plus £146.7 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 December 31, 2021, we had drawn £62.6 million of funding commitments pursuant to back-to-back hire purchase agreements with financiers (September 30, 2021: £60.0 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 December 31, 2021, we had utilised £116.4 million of agency funding (September 30, 2021: £115.0 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. The scale or nature of the securitisation and RV funding has also not materially changed over the same period. However, we are currently finalising a new £37.0 million combined RV and back-to-back facility, though this is not yet committed.

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. However, as at December 31, 2021, our previous revolving credit facility of £60.0 million was still in place, and was undrawn. As such, the financial covenant test under that previous facility was not tested.

The group had an aggregate cash balance as at December 31, 2021 of £25.0 million (September 30, 2021: £36.0 million), of which £11.3 million (September 30, 2021: £12.9 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 December 31, 2021 of £13.7 million (September 30, 2021: £23.1 million), in addition to the undrawn capacity on the new £65.0 million revolving credit facility.

Bond purchases

We may, from time to time, purchase our notes for cash in open-market purchases and/or privately negotiated transactions upon such terms and at such prices as we may determine. We will evaluate any such transactions in light of then-existing market conditions, taking into account our current liquidity and prospects for future access to capital. The amounts involved in any such transactions, individually or in the aggregate, may be material.

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 three months ended December 31,		For the nine months ended December 31,	
	2020	2021	2020	2021
Net cash inflow from operating activities	53,864	43,846	140,851	125,080
Tax paid	(1,252)	(1,412)	(152)	(822)
Net cash flows used in investing activities	(86,055)	(91,048)	(172,644)	(154,759)
Net cash flows (used in)/from financing activities	37,797	37,632	(23,063)	36,295
Net increase in cash & cash equivalents	**4,354**	**(10,982)**	**(55,008)**	**5,794**
Cash and cash equivalents at start of period	14,206	35,989	73,568	19,213
Cash and cash equivalents at end of period	**18,560**	**25,007**	**18,560**	**25,007**

Net cash inflow from operating activities

Net cash inflow from operating activities decreased by £10.0 million, to £43.8 million for the three months ended December 31, 2021 from £53.9 million for the three months ended December 31, 2020. This decrease in net cash flow from operating activities was primarily due to the lower level of creditors compared to the previous period, chiefly relating to timing of vehicle payments and further impacted by a delay in settlement of trade creditors from the post-acquisition period in CVFS and CVR in the prior period (i.e. routine, ongoing payments were delayed in the period from acquisition to December 31, 2020, as the business came out of a parent in administration and via trade-and-asset deals, with more normal patterns of cash flow returning in early calendar 2021).

Net cash inflow from operating activities decreased by £15.8 million, to £125.1 million for the nine months ended December 31, 2021 from £140.9 million for the nine months ended December 31, 2020. This decrease in net cash inflow from operating activities was primarily due to the lower level of creditors compared to the previous period, chiefly relating to timing of vehicle payments, especially following the year-end March 31, 2021, and impacted by payments of £8.0 million for set-up fees and costs relating to the securitisation facilities arranged in August 2021, and £7.5 million relating to payments of VAT, which were deferred under the Covid-19 VAT deferral scheme of 2020.

Tax paid

Cash flows used in tax paid increased by £0.2 million, to £1.4 million for the three months ended December 31, 2021 from £1.3 million for the three months ended December 31, 2020, as tax payments resumed a more normal pattern of payments on account for corporation tax.

Cash flows used in tax paid increased by £0.7 million, to £0.8 million for the nine months ended December 31, 2021 from £0.2 million for the nine months ended December 31, 2020, following the trend in our profits chargeable to corporation tax.

Net cash used in investing activities

Net cash flows used in investing activities increased by £5.0 million, to a cash outflow of £91.0 million for the three months ended December 31, 2021 from a cash outflow of £86.1 million for the nine months ended December 31, 2020. This increase in net cash outflows used in investing activities was primarily due to lower proceeds from vehicle sales compared to the prior period, relating to lower volumes of terminations (refer to commentary above).

Net cash flows used in investing activities decreased by £17.9 million, to an outflow of £154.8 million for the nine months ended December 31, 2021 from a cash outflow of £172.6 million for the nine months ended December 31, 2020. This increase in net cash flows used in investing activities was due to lower purchases of operating lease assets of £22.0 million (i.e. those unfunded at the balance sheet date).

Net cash flow (used in)/from financing activities

Net cash flows (used in)/from financing activities changed by £0.2 million, to a cash inflow of £37.6 million for the three months ended December 31, 2021 from a cash inflow of £37.8 million for the three months ended December 31, 2020. There was no drawdown or repayment of the group's previous revolving credit facilities, and the level of interest paid under our previous senior (term) debt facilities was largely unchanged. These debt facilities were refinanced in January 2022.

Net cash flows (used in)/from financing activities changed by £59.4 million, to a cash inflow of £36.3 million for the nine months ended December 31, 2021 from a cash outflow of £23.1 million for the nine months ended December 31, 2020. This change in net cash flows (used in)/from financing activities was primarily due to the higher drawdown of vehicle-related funding (such as hire purchase and securitised creditors) of £33.0 million. Within this caption was the effect of the refinancing of the previous securitisation structure, which resulted in an inflow caused by the reversal of previous credit enhancement payments (refer to commentary above) in August 2021. In addition, £20.0 million of the previous £60.0 million revolving credit facility was repaid during the nine months ended December 231, 2021, leaving that facility undrawn when it was refinanced in January 2022.

Off-balance sheet arrangements

As of December 31, 2021, our only material off-balance sheet arrangement relates to vehicles funded through agency arrangements. For vehicles funded under these arrangements only the commitment to repurchase the vehicle at the end of the lease for the RV is recognised on the balance sheet. As of December 31, 2021, the outstanding balance of vehicles subject to repurchase arrangements through such agency arrangements was £36.3 million (September 30, 2021: £36.0 million), reported as "Vehicles subject to repurchase agreements." By contrast, the outstanding rentals balance is reported on the agency funder's balance sheet.

For commitments outstanding as of March 31, 2021, please see Note 22 to our Audited Financial Statements for the financial year ended March 31, 2021.

Potential acquisition

In our Offering Memorandum dated January 20, 2022, we disclosed that we had signed heads of terms for a potential acquisition, in one of our existing markets, with consideration that would not exceed £40.0 million. We continue to make progress in discussions regarding that acquisition, but have not signed definitive agreements, and there can be no assurance that the proposed transaction will be completed.

Glossary

Reconciliation of Loss for the financial periods to Adjusted EBITDA excluding ZenAuto

Zenith Automotive Holdings Limited (£000)	For the financial year ended March 31,			For the nine months ended December 31,		For the twelve months ended December 31,
	2019	2020	2021	2020	2021	2021
	(£ in thousands)					
Loss for the financial period attributable to the shareholders of the group	(92,864)	(102,415)	(98,845)	(83,168)	(87,341)	(103,018)
Tax (credit)/ charge on loss	748	5,503	(4,376)	5,427	19,712	9,909
Finance costs (on shareholder investment & all other items)....................................	55,935	61,311	66,862	46,695	51,332	71,500
Finance costs (previous Term Facilities and previous Revolving Credit Facility) ..	37,129	37,058	37,699	31,174	30,431	36,956
Operating exceptional items	3,285	—	359	581	63	(160)
Amortisation of intangible assets.............	23,629	25,516	26,365	19,774	19,980	26,571
Amortisation of goodwill	23,885	23,873	24,102	17,905	18,244	24,441
Depreciation of owned fixed assets...	4,428	5,299	5,909	4,334	4,792	6,367
Adjusted EBITDA..	**56,175**	**56,145**	**58,075**	**42,721**	**57,213**	**72,567**
Add back: Adjusted EBITDA loss for ZenAuto...	2,077	2,204	3,392	2,341	2,460	3,511
Adjusted EBITDA excluding ZenAuto.........	**58,252**	**58,349**	**61,467**	**45,062**	**59,673**	**76,078**

Reconciliation of Change in Cash & Cash Equivalents to Adjusted Operating Cash Flow

Zenith Automotive Holdings Limited (£000)	For the financial year ended March 31,			For the nine months ended December 31,		For the twelve months ended December 31,
	2019	2020	2021	2020	2021	2021
Net increase in cash & cash equivalents	4,545	52,540	(54,355)	(55,008)	5,794	6,447
Add back / (Deduct):						
As adjusted credit enhancement adjustment.......................................	—	2,818	26,528	16,806	(29,346)	(19,624)
Acquisition Cash Flows..........................	—	—	10,490	10,117	-	373
Financing - bank loans raised (Existing Revolving Credit Facility)..................	—	(60,000)	40,000	40,000	20,000	20,000
Financing - interest paid	38,373	29,551	35,078	27,608	26,146	33,616
Corporation tax (paid) / received	1,575	4,063	2,301	152	822	2,971
Purchase of fixed assets		9,302	8,143	8,294	3,320	7,843
Securitisation refinancing: fees and expenses..	-	-	-	-	8,011	8,011
Adjusted Operating Cash Flow	53,795	37,115	68,336	42,995	40,271	65,611

Note: "As adjusted credit enhancement adjustment" represents the credit enhancement for the period, 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 significantly 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 three months ended December 31,		For the nine months ended December 31,		For the twelve months ended December 31,
	2020	2021	2020	2021	2021
EBITDA	**16,491**	**17,931**	**42,721**	**57,213**	**72,567**
Change in Working capital, including vehicle funding and payments	304	(14,576)	855	(16,880)	(7,115)
Exceptional items	(451)	(25)	(581)	(63)	160
Adjusted Operating Cash Flow	**16,344**	**3,330**	**42,995**	**40,271**	**65,611**
Purchase of fixed assets	(1,414)	(2,965)	(3,320)	(7,843)	(12,817)
Corporation tax (paid) / received	(1,252)	(1,412)	(152)	(822)	(2,971)
Cash Flow before acquisitions and corporate financing	**13,677**	**(1,047)**	**39,523**	**31,605**	**49,823**
Pro forma credit enhancement adjustment	(9,495)	-	(16,806)	29,346	19,624
Acquisition Cash Flows	-	-	(10,117)	-	(373)
Financing - bank loans raised (previous revolving credit facility and senior term debt)	10,000	-	(40,000)	(20,000)	(20,000)
Financing - interest paid (previous revolving credit facility and senior term debt)	(9,828)	(7,708)	(27,608)	(27,146)	(34,616)
Securitisation refinancing: fees and expenses	-	(2,227)	-	(8,011)	(8,011)
Net cash flow (Change in Net Cash and Cash Equivalents)	4,354	(10,982)	(55,008)	5,794	6,447

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 in the periods in question.

Reconciliation of certain pro forma financial information of the Company to Zenith Automotive Holdings Limited group of companies

The tables below present a reconciliation between the consolidated balance sheet and profit and loss account of Zenith Automotive Holdings Limited ("TopCo") and the Company's consolidated balance sheet and profit and loss account as of and for the nine months ended December 31, 2021.

	Topco		Company
Selected profit and loss account items for the period from April 1, 2021 to December 31, 2021 (£000)	Period ended December 31, 2021	Eliminate finance charges (net) at intermediate holding companies	Period ended December 31, 2021
Operating profit before depreciation of owned tangible fixed assets, amortisation of goodwill and intangible assets and exceptional items	57,213	-	57,213
Operating profit	14,134	-	14,134
Finance costs (net)	(81,763)	27,117	(54,646)
Loss before taxation	(67,629)	27,117	(40,512)
Tax credit/(charge) on loss	(19,712)	-	(19,712)
Loss for the period	(87,341)	27,117	(60,224)

	Topco		Company
Selected balance sheet items as of December 31, 2021 (£000)	As of December 31, 2021	Eliminate shareholder loans, Preference Shares and related balances	As of December 31, 2021
Fixed assets	1,366,227	-	1,366,227
Current assets	243,072	(2,268)	240,804
Creditors: amounts falling due within one year	(463,175)	(586,427)	(1,049,602)
Net current liabilities	(220,102)	(588,695)	(808,797)
Total assets less current liabilities	1,146,124	(588,695)	557,429
Creditors: amounts falling due after more than one year	(1,220,256)	435,461	(784,795)
Provisions for liabilities	(109,115)	-	(109,115)
Net Liabilities	(183,246)	(153,234)	(336,480)

As of the date of this document, Zenith Automotive Holdings Limited ("Topco") is a holding company with no revenue-generating activities of its own, and no business operations or material assets, other than its indirect ownership of 100% of the Company's share capital. As a result, the only material differences between Topco's consolidated financial information and the Company's consolidated financial information arise from the Preference Shares and certain loan notes that Topco and Zeus Finco Limited have issued to our shareholders, respectively. The adjustments to "current assets and creditors: amounts falling due within one year" all relate to group intercompany balances.

Zenith Automotive Holdings Limited

Condensed unaudited interim financial statements

For the nine months ended 31 December 2021

Zenith Automotive Holdings Limited

Information to accompany the condensed interim financial statements
For the six months ended 31 December 2021

Zenith Automotive Holdings Limited

Condensed consolidated statement of profit and loss account

For the nine months ended 31 December 2021

	Note	Nine months ended 31 December 2021 £'000	Nine months ended 31 December 2020 £'000
Turnover	3	**402,636**	**337,192**
Cost of sales		(302,489)	(263,173)
Gross profit		**100,147**	**74,019**
Operating expenses		(86,013)	(73,892)
Operating profit before depreciation of owned tangible fixed assets, amortisation of goodwill and intangible assets and exceptional items		**57,213**	**42,721**
Depreciation of owned tangible fixed assets		(4,792)	(4,334)
Amortisation of goodwill		(18,244)	(17,905)
Amortisation of intangible assets		(19,980)	(19,774)
Operating exceptional items		(63)	(581)
Operating profit / (loss)	4	**14,134**	**127**
Finance costs (net)		(81,763)	(77,868)
Loss before taxation	4	**(67,629)**	**(77,741)**
Tax (charge)/credit on loss		(19,712)	5,091
Loss for the financial period attributable to the shareholders of the group		**(87,341)**	**(72,650)**

All results derive from continuing operations.

The accompanying notes 1 to 11 are an integral part of these financial statements.

Condensed consolidated statement of comprehensive income

For the nine months ended 31 December 2021

	Nine months ended 31 December 2021 £'000	Nine months ended 31 December 2020 £'000
Loss for the financial period	(87,341)	(72,650)
Hedge gains arising during period (net of tax impact)	5,714	-
Total comprehensive expense attributable to the shareholders of the group	(81,627)	(72,650)

The accompanying notes 1 to 11 are an integral part of these financial statements.

Zenith Automotive Holdings Limited

Condensed consolidated statement of financial position

As at 31 December 2021

	Note	As at 31 December 2021 £'000	As at 31 March 2021 £'000	As at 31 December 2020 £'000
Fixed assets				
Goodwill	5	372,293	390,889	389,323
Intangible assets	5	363,219	383,200	388,451
Tangible assets	5	630,715	595,233	581,722
		1,366,227	1,369,322	1,359,496
Current assets				
Inventory		920	984	944
Debtors				
– due within one year		133,118	125,379	123,281
– due after one year		84,027	65,618	52,751
Cash at bank and in hand		25,007	19,213	18,560
		243,072	211,194	195,536
Creditors: Amounts falling due within one year		(463,174)	(469,451)	(448,513)
Net current liabilities		(220,102)	(258,257)	(252,977)
Total assets less current liabilities		1,146,125	1,111,065	1,106,519
Creditors: Amounts falling due after more than one year		(1,220,256)	(1,125,413)	(1,092,560)
Provisions for liabilities		(109,115)	(87,271)	(90,577)
Net liabilities		(183,246)	(101,619)	(76,618)
Capital and reserves				
Called up share capital		271,546	271,546	271,546
Share premium account		2,444	2,444	2,444
Hedging reserve		2,899	(2,815)	(4,009)
Profit and loss account		(460,135)	(372,794)	(346,599)
Shareholders' deficit		(183,246)	(101,619)	(76,618)

The accompanying notes 1 to 11 are an integral part of these financial statements.

Zenith Automotive Holdings Limited

Consolidated statement of changes in equity

As at 31 December 2021

	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)
Loss for the financial period	-	-	(72,650)	-	(72,650)
At 31 December 2020	271,546	2,444	(346,599)	(4,009)	(76,618)
Loss for the financial period	-	-	(26,195)	-	(26,195)
Hedges of variable interest rate risk	-	-	-	1,474	1,474
Deferred tax charge	-	-	-	(280)	(280)
At 31 March 2021	271,546	2,444	(372,794)	(2,815)	(101,619)
Loss for the financial period	-	-	(87,341)	-	(87,341)
Hedges of variable interest rate risk	-	-	-	6,854	6,854
Deferred tax charge	-	-	-	(1,140)	(1,140)
At 31 December 2021	271,546	2,444	(460,135)	2,899	(183,246)

The accompanying notes 1 to 11 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.

No movement is disclosed in the period to 31 December 2020 as it has been disclosed in the year end annual accounts and is not material for the interims.

Zenith Automotive Holdings Limited

Condensed consolidated cash flow statement

For the nine months ended 31 December 2021

	Nine months ended 31 December 2021 £'000	Nine months ended 31 December 2020 £'000
Operating profit / (loss)	**14,134**	**127**
Adjustment for:		
Depreciation charges	93,719	86,119
Amortisation of goodwill and intangibles	38,576	37,653
Profit on sale of tangible fixed assets	(21,084)	(7,639)
Operating cash flow before movement in working capital	125,345	116,260
Capital repayment received from finance lessees	13,526	20,298
(Increase) / decrease in debtors	8,695	(13,703)
Decrease in stock	64	(115)
Decrease in creditors	(25,655)	16,726
Increase in provisions	3,105	1,385
Net cash inflow from operating activities	**125,080**	**140,851**
Income tax paid	**(822)**	**(152)**
Cash flows from investing activities		
Proceeds from sale of operating lease assets	128,436	109,700
Purchase of operating lease assets	(10,038)	(32,039)
Purchase of operating lease assets (funded)	(273,157)	(240,188)
Acquisitions	-	(10,117)
Net cash flows from investing activities	**(154,759)**	**(172,644)**
Cash flows from financing activities		
Repayments of borrowings	(209,716)	(235,643)
Drawdown of funding	273,157	240,188
Interest paid	(27,146)	(27,608)
Net cash flows from financing activities	**36,295**	**(23,063)**
Net increase in cash and cash equivalents	**5,794**	**(55,008)**
Cash and cash equivalents at start of the year	**19,213**	**73,568**
Cash and cash equivalents at end of the period	**25,007**	**18,560**

The accompanying notes 1 to 11 are an integral part of these financial statements.

Cash and cash equivalents include amounts in respect of Exhibition Finance plc (formerly Bifurcate Funding Limited), Forge Funding Limited and Vehicle Titleco Limited of a total of £11,248,000 (31 March 2021: £6,800,000; 31 December 2020: £12,617,000) that are not freely available for use by the Group.

Zenith Automotive Holdings Limited

Notes to the financial statements
For the nine months ended 31 December 2021

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The financial information for the nine month period ended 31 December 2021 has been prepared in accordance with FRS 104 'Interim Financial Reporting' and the Companies Act 2006. This report should be read in conjunction with the Group's annual report and financial statements for the year ended 31 March 2021, which have been prepared in accordance with FRS 102.

Accounting policies

The accounting policies, methods of computation and presentation in these accounts are consistent with those that were applied in the annual financial statements for the year ended 31 March 2021, except for the estimation of income tax. The auditor's report on those accounts was unqualified. The Group's financial statements are prepared under the historical cost convention in compliance with Financial Reporting Standard 101 Reduced Disclosure Framework.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings. Income tax expense is recognised based on Group's estimate of the weighted average effective annual income tax rate expected for the full financial year.

Going concern

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

The directors of the Group have considered the adoption of the going concern basis in preparing the financial statements given the current economic climate and have formed the conclusion that there are no material uncertainties with respect to the Group's ability to continue as a going concern for the foreseeable future. In forming this view, the directors have considered the Group's budget and trading forecast and the committed borrowing facilities available to the Group, together with forecast headroom against those borrowing facilities including the impact of reasonable sensitivities and foreseen uncertainties. This includes the impact of the proposed refinancing of our senior debt facilities and the new securitisation facilities implemented in August 2021.

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

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

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

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, Accounting Policies, in its Annual Report and Financial Statements for the year ended 31 March 2021, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying the Group's accounting policies

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

Impairment of goodwill and intangible assets

The Group regularly reviews for new indicators of impairment, where none are found no impairment testing is undertaken; where such indicators are found the Group undertakes an estimation of the value in use of the cash-generating units to which goodwill and acquired intangible assets have been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. This includes an assessment of Covid-19 and an estimate of reasonably possible sensitivities in reaching the conclusions of the review. The carrying amount of goodwill at the balance sheet date was £372,293,000 (31 March 2021: £390,889,000; 31 December 2020: £389,323,000). No impairment loss was recognised during the nine months ended 31 December 2021 (nine months ended 31 December 2020: £nil). The carrying amount of acquired intangible assets at the balance sheet date was £363,219,000 (31 March 2021: £383,200,000; 31 December 2020: £388,451,000). No impairment loss was recognised during the nine months ended 31 December 2021 (nine months ended 31 December 2020: £nil).

Key source of estimation uncertainty

Residual values

When pricing a lease, the estimate of what a vehicle will be worth at the end of the lease is called the residual value. The Group reviews the residual values of its leased assets on an ongoing basis with reference to independent market data and prevailing economic conditions. We use sophisticated technology and risk management techniques to manage residual value and maintenance risk and our risk positions and exposures are constantly reassessed and adjusted accordingly. As such, residual values held in the financial statements of this Group are believed to be redeemable and free from impairment.

Maintenance provision

The Group regularly reviews its provisioning for future maintenance costs. The amount recognised as a provision is the best estimate of consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Extensive analysis is undertaken regularly based on a substantial amount of historic evidence to ensure the provisioning level is 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 December 2021 amounts to £21,956,000 (31 March 2021: £18,851,000; 31 December 2020: £16,772,000).

Zenith Automotive Holdings Limited

Notes to the financial statements

For the nine months ended 31 December 2021

3. TURNOVER

	Nine months ended 31 December 2021 £'000	Nine months ended 31 December 2020 £'000
An analysis of the Group's turnover by class of business is set out below:		
Long term leases	224,762	211,797
Vehicle sales	111,508	87,181
Other*	66,366	38,214
	402,636	**337,192**

*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:

	Nine months ended 31 December 2021 £'000	Nine months ended 31 December 2020 £'000
Depreciation of tangible fixed assets		
Owned	3,198	3,434
Company cars	1,690	1,024
Held under finance leases and hire purchase contracts	88,831	81,661
Amortisation of goodwill	18,244	17,905
Amortisation of intangibles	19,980	19,774
Operating exceptional items	63	581

On 3 March 2021, it was announced in the UK Budget that the standard rate of corporation tax in the United Kingdom will increase to 25% on 1 April 2023. The tax charge for the period to 31 December 2021 includes £19m of deferred tax on intangible assets as a result of this future change in rate.

5. FIXED ASSETS

a) Goodwill

The total net book value of goodwill is £372.3m (March 2021: £390.9m and December 2020: £389.3m). Other than amortisation, there have been no material movements in the period.

b) Intangible assets

Intangible assets include customer contracts (arising on the acquisition of Contract Vehicles Limited in 2017) and software development costs. Management has considered indicators, compared actual performance to forecasts (please see the Annual report and financial statements for the year ended 31 March 2021 for further details) and have concluded that no indicators of impairment exist at the reporting date. The total net book value of intangible assets is £363.2m (March 2021: £383.2m and December 2020: £388.5m). Other than amortisation, there have been no material movements in the period.

c) Tangible fixed assets

Tangible fixed assets include freehold land & buildings, vehicles leased to customers and equipment, fixtures & fittings.

The net book value of tangible fixed assets at 31 December 2021 was £630.7m (March 2021: £595.2m and December 2020 £581.7m). The increase since 31 March 2021 is largely due to additions of £236.6m (March 2021: £349.1m and December 2020: £285.8m) offset by depreciation of £93.7m (March 2021: £109.8m and December 2020: £86.1m) and disposals of £107.4m (March 2021: £131.9m and December 2020: £102.1m). There were no additions or disposals in the period that were individually material.

d) Capital commitments

At the end of the period the Group had contracted capital commitments of £395,839,000 (31 March 2021: 165,545,000; 31 December 2020: £157,072,000) relating to the purchase of vehicles for leasing to its customers. These commitments are expected to be met within the next 12 months. The Group had no other capital commitments.

e) Contingent liabilities

At 31 December 2021 the Group was committed to the future purchase of vehicles with a cost of £34,446,000 (31 March 2021: 14,843,000; 31 December 2020: £10,230,000).

Zenith Automotive Holdings Limited

Notes to the financial statements
For the nine months ended 31 December 2021

6. DEBTORS

	Group As at 31 December 2021 £'000	Group As at 31 March 2021 £'000	Group As at 31 December 2020 £'000
Amounts falling due within one year:			
Trade debtors	57,591	56,527	59,219
Amounts receivable under hire purchase contracts	4,621	6,386	2,183
Amounts receivable under securitised contracts	33,252	12,358	15,304
Vehicles subject to repurchase agreements	6,771	11,355	12,659
Other debtors	3,554	15,784	9,233
Corporation tax	938	2,696	7,094
Fair value of hedging instruments	3,579	-	-
Prepayments and accrued income	22,812	20,273	17,589
	133,118	**125,379**	**123,281**
Amounts falling due after more than one year:			
Amounts receivable under hire purchase contracts	13,961	12,807	1,010
Amounts receivable under securitised contracts	37,924	24,699	22,454
Vehicles subject to repurchase agreements	29,498	25,306	25,724
Prepayments and accrued income	2,644	2,806	3,563
	84,027	65,618	52,751
	217,145	**190,997**	**176,032**

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

Zenith Automotive Holdings Limited

Notes to the financial statements
For the nine months ended 31 December 2021

7. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group As at 31 December 2021 £'000	Group As at 31 March 2021 £'000	Group As at 31 December 2020 £'000
Obligations under finance leases and hire purchase contracts	59,836	41,579	45,160
Obligations under securitised contracts	291,980	304,887	277,408
Vehicles subject to repurchase agreements	6,771	11,355	12,659
Trade creditors	24,357	50,860	42,406
VAT	1,739	9,434	9,357
Other taxation and social security	818	1,267	637
Corporation tax	-	-	-
Withholding tax	144	412	427
Other creditors	23,002	18,462	20,211
Fair value of hedging instruments	-	3,475	4,950
Accruals and deferred income	54,527	27,720	35,298
Amounts owed to other group undertakings	-	-	-
	463,174	**469,451**	**448,513**

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

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

	Group As at 31 December 2021 £'000	Group As at 31 March 2021 £'000	Group As at 31 December 2020 £'000
Bank loans	426,743	444,219	443,378
Obligations under finance leases and hire purchase contracts	24,313	22,728	17,280
Obligations under securitised contracts	304,240	227,343	236,166
Vehicles subject to repurchase agreements	29,498	25,306	25,724
Loan notes	279,284	278,934	252,716
Accruals and deferred income	156,178	126,883	117,296
	1,220,256	**1,125,413**	**1,092,560**

Notes to the financial statements

For the nine months ended 31 December 2021

9. NET SENIOR DEBT

	As at 1 April 2020	Cash flows	Other non-cash charges	As at 31 December 2020
Cash at bank and in hand	73,568	(55,008)	-	**18,560**
Senior term debt	433,521	-	795	**434,316**
Senior revolving facility drawings	60,000	(40,000)		**20,000**
Unamortised loan arrangement costs	(13,462)	-	2,526	**(10,936)**
Net senior debt	**406,491**	**15,008**	**3,321**	**424,820**

	As at 1 April 2021	Cash flows	Other non-cash charges	As at 31 December 2021
Cash at bank and in hand	19,213	5,794	-	**25,007**
Senior term debt	434,316	-	-	**434,316**
Senior revolving facility drawings / (repayment)	20,000	(20,000)		**-**
Unamortised loan arrangement costs	(10,097)	-	2,526	**(7,571)**
Net senior debt	**425,006**	**(25,794)**	**2,526**	**401,738**

Net senior debt includes cash and cash equivalents and bank loans drawn under the Group's senior facilities agreement (term loan and revolving credit facilities), but excludes amounts payable to shareholders of £733m (loan notes and preference shares), finance leases and vehicle funding £717m (including amounts drawn under the Group's securitisation arrangements).

10. 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.

There were no transactions with directors for the periods covered by these consolidated financial statements, other than remuneration in connection with their roles (and as disclosed in the annual report and accounts for the financial year ended 31 March 2021).

Pursuant to the Investment Agreement between the Group, Bridgepoint and the management shareholders, 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. For the nine months ended 30 September 2021 we paid a monitoring fee of £187,500 (nine months ended 31 December 2020: £187,500).

11. ULTIMATE CONTROLLING PARTY

At 31 December 2021, the largest and smallest group in which the results of the Group 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 Group 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 Group.