UNAUDITED FINANCIAL RESULTS, FIRST QUARTER ENDED JUNE 30, 2022: HIGHLIGHTS

Trading performance

- In Q1, total fleet increased by c. 1,800 units to 164k units at June 30, 2022 – with an increase in the funded fleet by c. 300 units to 70.5k units
- Supply chain conditions became more challenging in Q1, particularly the further increase in lead times that were already substantially longer than normal
- These conditions reduced the availability of new vehicles, which hampered our ability to translate strong order intake into fleet growth
- Lower deliveries than expected also led to fewer end-of-contract terminations, as customers were less able to replace their vehicles
- However, our strong order intake continued, leaving a record order book of over 15k units – and we have seen lead times stabilise during Q2

Operational milestones

- We surpassed 23,000 BEVs in Q1, either "live" in the funded fleet or on-order
- ZenAuto reached break-even during the month of June, demonstrating its maturing profile and proving the returns from the business model now that the ZenAuto fleet is approaching 10k units

Financial performance[1]

- Q1 revenue of £157.7m to June 30, 2022, up 8.8% on the previous year
- Q1 gross profit (or "Total Income") of £34.8m to June 30, 2022, up 7.7% on the previous year
- Gross Profit increased in each of our three divisions, with Consumer strongly up by +£3.8m, or 131%, driven by ZenAuto income growth
- Q1 Adjusted EBITDA (excluding ZenAuto): decline of £0.4m (or 2.3%) on Q1 to June 2021, mainly driven by delays to terminations (and subsequent deliveries), and the group's investment in people to support the expected substantial growth in fleet as our order bank unwinds
- LTM Adjusted EBITDA of £77.8m, down marginally by 0.6% on the year ended March 31, 2022
- Cash position of £38.1m[2], with an available, undrawn RCF of £65.0m, giving liquidity of £104.1m

Change of accounting estimates

- As briefed in the 2022 full year results announcement, Q1 is the first period where we have re-assessed RVs and, therefore depreciation, on our funded fleet to the extent that those assets are accounted as fixed assets. We are obliged to re-assess depreciation under accounting standards, because of the material, sustained change in market prices for used vehicles
- The re-assessment of RVs has created additional Gross Profit and Operating Profit (via reduced fleet depreciation) of £11.3m during the period. This has had no impact on our cash flow, tax position or the borrowing base under any of our vehicle funding facilities
- It also has no impact on the commercial decisions or positions that we take on pricing residual values or writing new business. We will continue to report the same revenue and profit KPIs in our own internal board reporting, and to our investors, which we believe are more closely aligned to underlying earnings and cash flows

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[1] The metrics are stated prior to (i.e. exclude) the change of accounting estimates summarised above
[2] Excluding cash held in the special purpose vehicles in the securitisation programmes

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PRESENTATION OF FINANCIAL INFORMATION

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 June 30, 2022, and to June 30, 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.

Under FRS 102, we are obliged to re-assess residual values (RVs) of fixed assets, and therefore depreciation, where there has been an indication of change to those residual values, such as changes in market prices. The recent significant and sustained increase in used vehicle prices obliges us to re-assess (and re-set) residual values on our funded fleet to the extent that those assets are accounted as fixed assets. We have made this re-assessment as at 1 April 2022, as a change in accounting estimates, with a subsequent impact on our profit and loss account for the quarter ended June 30, 2022.

We present this change in isolation and draw the reader's attention to the change, because it is a material and novel adjustment to our reported performance and position. We believe that Adjusted EBITDA and EBITDA, as adjusted to exclude this change in accounting estimates, are more representative and appropriate measures of our operating results, profitability and ability to service debt.

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 year ended March 31, 2022, and the unaudited three months ended June 30, 2021.

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 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. Our mission is to decarbonise the UK vehicle parc by eliminating tailpipe emissions.

We operate across the corporate, commercial and consumer sectors, specialising in bespoke mobility solutions. We operate in three distinct but complementary channels: business to business (B2B), business to business to employee (B2B2E) and business to consumer (B2C).

As of June 30, 2022, we had approximately 164,000 vehicles under management, with approximately 70,400 vehicles in our funded fleet and approximately 93,400 vehicles in our managed fleet.

For the year ended March 31, 2022, we generated gross profit of £136.2 million and Adjusted EBITDA of £78.2 million.

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 June 30,		As of March 31,
	2021	2022	2022
Funded Fleet	65,994	70,483	70,155
Managed Fleet	82,185	93,367	91,886
Total Fleet	**148,179**	**163,850**	**162,041**

We increased the size of our fleet to June 30, 2022, by 1,809 units or 1.1% versus March 31, 2022. This reflects growth from June 30, 2021, of 15,671 units or 10.6%. The growth from March 31, 2022, was predominantly via the managed fleet in our Consumer division (white label and ZenAuto).

Financial KPIs

Zenith Automotive Holdings Limited (£000)	For the three months ended June 30,		For the year ended March 31,
	2021	2022	2022
Turnover	144,915	157,690	589,058
Gross profit	32,282	34,776	136,244
Adjusted EBITDA, before ZenAuto	19,512	19,073	78,232
Adjusted Operating Cash Flow	19,213	7,855	50,603
Cash conversion %	100.6%	42.2%	67.7%

(1) Cash conversion is based on EBITDA, i.e. including the results of ZenAuto.

Our financial performance in the most recent period to June 30, 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 for the periods presented.

Zenith Automotive Holdings Limited (£000)	For the three months ended June 30,		For the year ended March 31,
	2021	2022	2022
Turnover[(1)]	**144,915**	**157,690**	**589,058**
Cost of sales (excluding changes to accounting estimates of RVs of fleet fixed assets) [(1)]	(112,633)	(122,915)	(452,814)
Gross profit (excluding changes to accounting estimates of RVs of fleet fixed assets) [(1,2)]	**32,282**	**34,776**	**136,244**
Changes to accounting estimates of RVs of fleet fixed assets [(1)]	-	11,314	-
Gross profit[(1,2)]	**32,282**	**46,090**	**136,244**
Operating expenses	(13,186)	(16,142)	(61,478)
Operating profit before depreciation of owned tangible fixed assets, amortisation of goodwill and intangible assets and exceptional items, and before changes to accounting estimates of RVs of fleet fixed assets	**19,096**	**18,634**	**74,766**
Operating profit before depreciation of owned tangible fixed assets, amortisation of goodwill and intangible assets and exceptional items	**19,096**	**29,948**	**74,766**
Depreciation of owned fixed assets	(1,524)	(1,696)	(5,364)
Amortisation of goodwill	(5,968)	(6,081)	(24,360)
Amortisation of intangible assets	(6,660)	(6,693)	(26,639)
Operating exceptional items[(3)]	(90)	-	(63)
Operating profit	**4,853**	**15,477**	**18,339**
Finance costs (net)	(26,764)	(27,554)	(118,763)
Finance costs (previous senior debt facilities and current senior notes and RCF)[(4)]	(9,776)	(8,893)	(43,495)
Finance costs (on shareholder instruments)[(5)]	(16,988)	(18,660)	(75,268)
Loss before taxation	**(21,911)**	**(12,076)**	**(100,424)**
Tax (charge) / credit on loss	146	(356)	(18,858)
Loss for the financial period attributable to the shareholders of the group	**(21,765)**	**(12,433)**	**(119,282)**

(1) 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.

(2) 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.

(3) 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.

(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.

Divisional performance summary

The tables below present a summary of turnover and gross profit of each division. (These figures are presented prior to the impact of the change in accounting estimates for fleet depreciation.)

Corporate

(£000)	For the three months ended June 30, 2021	For the three months ended June 30, 2022	For the year ended March 31, 2022
Turnover	94,069	93,588	376,154
Gross profit	21,637	19,807	89,886

Commercial

(£000)	For the three months ended June 30, 2021	For the three months ended June 30, 2022	For the year ended March 31, 2022
Turnover	43,152	49,997	183,613
Gross profit	7,730	8,243	32,740

Consumer

(£000)	For the three months ended June 30, 2021	For the three months ended June 30, 2022	For the year ended March 31, 2022
Turnover	7,694	14,105	29,290
Gross profit	2,915	6,725	13,618

Comparison of results of operations for the three months ended June 30, 2021 and 2022

Turnover

Turnover increased by £12.8 million, or 8.8%, to £157.7 million for the three months ended June 30, 2022, from £144.9 million for the three months ended June 30, 2021. The increase in turnover was primarily due to higher lease incomes on the higher fleet (especially in the Commercial and Consumer divisions) and a positive movement in sundry revenues such as Corporate and Commercial rental.

However, these positives were tempered by a negative *volume* effect in vehicle sales revenues, with 27% lower termination *volumes* (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. Because the volume of terminations was lower versus the comparative period, and because many of those terminations were linked to new vehicle orders under a “key for key” exchange, the level of deliveries was also impacted, which impacted the income that is linked to new vehicle deliveries.

The reduction in vehicle terminations was due to the shortage of new vehicles in the market, as lead times on new vehicles lengthened. However, we have seen signs at the end of the period, and after the period end, that lead times have stabilised.

The increase in the order book within our Corporate division was from 12,241 open orders at March 31, 2022, to 13,683 open orders at June 30, 2022. This compares to a Corporate order bank of approximately 6,664 orders at June 30, 2021.

Despite the reduction in vehicle terminations and sundry vehicle disposal revenues, the other elements of our turnover were robust: with lease incomes broadly flat in Corporate and strongly ahead in Commercial and Consumer, and other in-life revenues up, mainly driven by Corporate rental revenues and rebate incomes related to services that have recovered as vehicle usage has increased since the end of the Covid-19 lockdowns, such as tyre rebates and accident management incomes.

Within our Consumer division, ZenAuto turnover increased by £5.6 million (or 98.8%), driven by expanding funded fleet (generating lease income) and a higher volume and value of terminations (from a much lower base in the three months ended June 30, 2021, when the ZenAuto fleet was substantially smaller).

Corporate

Turnover of our Corporate division decreased by £0.5 million, or 0.5%, to £93.6 million for the three months ended June 30, 2022, from £94.1 million for the three months ended June 30, 2021. 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 and delivery 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 continued to benefit from high vehicle demand from our corporate customers and other in-life services as vehicle usage increased, such as income from tyre rebates. Overall, the broadly flat revenue for the quarter, compared to the same period last year, is driven by a Corporate fleet that is also flat over the same period, at 43,377 units (June 30, 2021: 43,539 units).

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 12,241 open orders as at June 30, 2022, from 13,683 orders as at March 31, 2022, and from 6,664 orders as at June 30, 2021. The latest position as at July 31, 2022, is a further increase in the order bank to 14,501 open 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 £6.8 million, or 15.9%, to £50.0 million for the three months ended June 30, 2022, from £43.2 million for the three months ended June 30, 2021. 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. Furthermore, there was an increase in the volume of terminations from our funded fleet within the Commercial business by 104 units to 175 units in the quarter.

Consumer

Turnover of our Consumer division increased by £6.4 million, or 83.3%, to £14.1 million for the three months ended June 30, 2022, from £7.7 million for the three months ended June 30, 2021. 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, 2022. The funded fleet increased to 9,451 vehicles by June 30, 2022, from 8,843 vehicles as at March 31, 2022, and from 6,524 vehicles as at June 30, 2021, i.e. a 45% 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 period (continuing after the period closed) due to inflation and other macroeconomic factors affecting consumers.

Cost of Sales, excluding the impact of changes in accounting estimates (fleet depreciation)

Cost of sales increased by £10.3 million, or 9.1%, to £122.9 million for the three months ended June 30, 2022, from £112.6 million for the three months ended June 30, 2021. The increase in cost of sales was primarily due to the higher volume of transactions in our Commercial division as fleet volumes grew and trading expanded in trailer rental and direct maintenance, together with an increase in the cost of funding for the three months ended June 30, 2022, from the three months ended June 30, 2021, as a result of the refinancing of our securitisation facilities that was completed in August 2021, and (increase in cost of sales as a result of greater trading activity in the ZenAuto business. This was offset by lower volume of terminations (explained above), which reduced the aggregate carrying value of vehicles disposed of in the period.

Cost of sales represented 77.9% of turnover for the three months ended June 30, 2022, compared to 77.7% of turnover for the three months ended June 30, 2021. The marginal increase 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, particularly towards the Commercial division and towards lease incomes rather than vehicle disposals.

Gross Profit, excluding the impact of changes in accounting estimates (fleet depreciation)

Group

Gross profit increased by £2.5 million, or 7.7%, to £34.8 million for the three months ended June 30, 2022, from £32.3 million for the three months ended June 30, 2021. 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 £3.5 million, or 44%, to £11.3 million, for the three months ended June 30, 2022, versus the prior period. This was despite a reduction in volumes of terminations during the period of approximately 27%, for the reasons described above. However, this reduction in Group terminations reflects growth of greater than 100% (i.e. doubling) in the Consumer (ZenAuto) and Commercial divisions, with a far greater fall in the Corporate division, where gross profits from terminations tend to be highest. This was offset by a material increase in the rate of RV profits per unit in the Corporate division of 82% versus the prior period. The result was that RV profits increased overall, but with a particularly *adverse* volume effect offset by a *positive* rate effect. The lower volume of terminations reflects a delay in those terminations – these vehicles will return to Zenith for termination at some stage – rather than a loss of termination volumes.

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 June 30, 2022, 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.

Corporate

Gross profit in the Corporate division decreased by £1.8 million, or 8.5%, to £19.8 million for the three months ended June 30, 2022, from £21.6 million for the three months ended June 30, 2021.

Within Corporate, the key driver of gross profit was 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.

Gross profit was further impacted 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 June 30, 2022, from the three months ended June 30, 2021, because of the refinancing of our securitisation facilities that was completed in August 2021. The net effect of the funding cost factor was a £1.1 million decrease in gross profit for the three months ended June 30, 2022, on a funded fleet that was flat at the end of the period compared to 12 months ago.

Commercial

Gross profit in the Commercial division increased by £0.5 million, or 6.6%, to £8.2 million for the three months ended June 30, 2022, from £7.7 million for the three months ended June 30, 2021. The increase in Commercial gross profit was primarily due to positive impact of higher trailer utilisation rates within the CVR business and the higher volume of terminations, particularly of trailers within our CVR trailer rental business.

Consumer

Gross profit in the Consumer division increased by £3.8 million, or 130.7%, to £6.7 million for the three months ended June 30, 2022, from £2.9 million for the three months ended June 30, 2021. The increase in Consumer gross profit was primarily due to growth in fleet size within the ZenAuto business and supported by higher transaction volumes within the White Label operation, particularly new deliveries, which were impacted by the supply chain factors within the automotive market, but still showed growth versus the comparative period.

Changes in depreciation due to a change in accounting estimates

As briefed in the 2022 full year results announcement, Q1 is the first period where we have re-assessed RVs and, therefore depreciation, on our funded fleet to the extent that those assets are accounted as fixed assets. We are obliged to re-assess depreciation under accounting standards, because of the material, sustained change in market prices for used vehicles.

The re-assessment of residual values has created additional Gross Profit and Operating Profit (via reduced fleet depreciation) of £11.3m during the period. This has had no impact on our cash flow, tax position or the borrowing base under any of our vehicle funding facilities.

It also has no impact on the commercial decisions or positions that we take on pricing residual values or writing new business. We will continue to report the same revenue and profit KPIs in our own internal board reporting, and to our investors, which we believe are more closely aligned to underlying earnings and cash flows.

The re- assessment of residual values, and the consequential effect on the depreciation charges on that population of assets, has reduced the depreciation charge within our cost of sales by £11.3 million, from a charge of £38.2 million on that population of assets, *had the residual values not been re-set*, to a charge of £26.9 million for the three months ended June 30, 2022. This compares to depreciation charges on the funded fleet for the three months ended June 30, 2021, of £28.6 million.

Operating Expenses

Operating expenses increased by £3.0 million, or 22.4%, to £16.1 million for the three months ended June 30, 2022, from £13.2 million for the three months ended June 30, 2021. The increase in operating expenses was primarily due to higher people costs and related overheads (of £1.5 million, versus the comparative period), where we continue to invest in the capacity and capabilities of the group, in anticipation of future fleet growth when lead times fall (or stabilise for a prolonged period) and the existing order bank unwinds, particularly in Corporate.

In addition, we expensed substantially more cost (£0.9 million, versus the comparative period) for the nationwide ZenAuto marketing campaign in the current financial year, whereas this was largely phased towards the second half of the preceding financial year ended March 31, 2022. The cost of our IT operations, services and infrastructure also increased versus the comparative period by £0.6 million, reflecting the higher level of transaction volumes in particular parts of the business and the general rate of inflation in IT service costs.

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 three months ended June 30, 2021, reflect the cost of, inter alia, the previous term debt and revolving credit facilities, which were refinanced in January 2022.

Finance costs increased by £0.8 million, or 3.0%, to £27.6 million for the three months ended June 30, 2022, from £26.8 million for the three months ended June 30, 2021. The increase in finance costs was primarily due to the increased Loan Note and Preference Share interest, because of the underlying balances increasing due to the annual compounding of interest (£1.7 million higher charges versus the comparative period); offset by the lower costs of the new senior secured notes compared to the previous senior term debt facilities, where charges were lower by £0.9 million versus the comparative period.

Tax Credit / (Charge)

Tax changed by £0.5 million, to a charge of £0.4 million for the three months ended June 30, 2022, from a credit of £0.1 million for the three months ended June 30, 2021. The change in tax primarily reflects a normalisation of the trend of 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 or estimates.

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 most 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 June 30, 2022, we had drawn £545.1 million on our securitisation facilities (March 31, 2022: £532.8 million). We had also drawn £143.0 million on our RV facilities (March 31, 2022: £139.1 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 £889.1 million (£725.0 million in respect of bifurcated and non-bifurcated securitisation facilities, plus £164.1 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 June 30, 2022, we had drawn £78.3 million of funding commitments pursuant to back-to-back hire purchase agreements with financiers (March 31, 2022: £74.1 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 June 30, 2022, we had utilised £116.8 million of agency funding (March 31, 2022: £105.7 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 March 31, 2022. The scale or nature of the securitisation and RV funding has also not materially changed over the same period.

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 revolving credit facility in an aggregate amount of £65.0 million. As at June 30, 2022, this was undrawn. As such, the financial covenant test under that facility was not tested.

The group had an aggregate cash balance as at June 30, 2022, of £46.9 million (March 31, 2022: £60.2 million), of which £7.8 million (March 31, 2022: £9.3 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 June 30, 2022, of £39.1 million (March 31, 2022: £50.9 million), in addition to the undrawn capacity on the £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 June 30,		For the year ended March 31,
	2021	2022	2022
Net cash (outflow) / inflow from operating activities	31,111	(10,067)	175,182
Tax (paid) / received	906	(1,306)	(1,156)
Net cash flows used in investing activities	(30,884)	(7,701)	(252,948)
Net cash flows (used in)/from financing activities	(4,306)	5,848	119,876
Net increase / (decrease) in cash & cash equivalents	**(3,173)**	**(13,226)**	**40,955**
Cash and cash equivalents at start of period	19,213	60,168	19,213
Cash and cash equivalents at end of period	**16,040**	**46,942**	**60,168**

Net cash flow from operating activities

Net cash inflow from operating activities decreased by £15.9 million, to a £15.1 million inflow for the three months ended June 30, 2022, from a £31.1 million inflow for the three months ended June 30, 2021. This decrease in net cash flow from operating activities was primarily due to an increase in debtors, particularly in our Commercial division which increased activity and tends to have longer credit terms, and reduction in various creditors, including vehicle funding obligations and VAT, linked to the timing of VAT recoveries on new vehicle purchases, which were substantially down in the current period. We also cash-settled our performance bonus pay-out for colleagues in the quarter, as well as some sizeable rebate positions with our Corporate customers and the furlough monies received from HMRC in 2020.

Tax paid / received

Cash flows used in tax changed by £2.2 million, to a £1.3 million payment for the three months ended June 30, 2022, from a £0.9 million inflow for the three months ended June 30, 2021, as tax payments resumed a more normal pattern of payments on account for corporation tax, without adjustment for prior period recoveries of tax paid (as was the case in the three months ended June 30, 2021).

Net cash used in investing activities

Net cash flows used in investing activities increased by £2.1 million, to a cash outflow of £33.0 million for the three months ended June 30, 2022, from a cash outflow of £30.9 million for the three months ended June 30, 2021. This increase in net cash outflows used in investing activities was primarily due to an increase in the purchase of funded assets (the funding of which is shown in net cash flow from financing activities), but more than offset by higher proceeds of sales of operating leases assets (refer to commentary above on vehicle terminations).

Net cash flow (used in)/from financing activities

Net cash flows (used in)/from financing activities changed by £10.1 million, to a cash inflow of £5.8 million for the three months ended June 30, 2022, from a cash outflow of £4.3 million for the three months ended June 30, 2021. There was no drawdown or repayment of the group's current revolving credit facilities in the period ended June, 30, 2022, though the group repaid £5.0 million of the previous revolving credit facility in the period ended June, 30, 2021. The level of interest paid increased to £13.4 million for the period ended June 30, 2022, from £8.7 million for the period ended June 30, 2021, due to the payment of the coupon on the senior secured notes covering the period from inception (January 28, 2022) to June 30, 2022, whereas in the comparative period the previous senior debt package interest was paid quarterly, and therefore the payment covered a three month period, rather than a five month period. These previous senior term debt and revolving credit facilities were refinanced in January 2022.

Off-balance sheet arrangements

At June 30, 2022, our only material off-balance sheet item relates to vehicles funded through agency arrangements. For vehicles funded under such arrangements only the commitment to repurchase the vehicle at the end of the lease for the RV is recognised on the balance sheet. At June 30, 2022, the outstanding balance of vehicles subject to repurchase arrangements through agency arrangements was £39.8 million (March 31, 2022: £36.9 million), reported as "Vehicles subject to repurchase agreements." By contrast, the outstanding rentals balance is reported on the agency funder's balance sheet.

Glossary

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

Zenith Automotive Holdings Limited (£000)	For the three months ended June 30,		For the year ended March 31,
	2021	2022	2022
Loss for the financial period attributable to the shareholders of the group	**(21,765)**	**(12,433)**	**(119,282)**
Tax (credit)/ charge on loss	(146)	356	18,858
Finance costs (on shareholder investment & all other items)	16,988	18,660	75,268
Finance costs (previous Term Facilities and previous Revolving Credit Facility, and new senior secured notes and Revolving Credit Facility)	9,776	8,893	43,495
Operating exceptional items	90	-	63
Amortisation of intangible assets	6,660	6,693	26,639
Amortisation of goodwill	5,968	6,081	24,360
Depreciation of owned fixed assets	1,524	1,696	5,364
Changes to accounting estimates of RVs of fleet fixed assets	-	(11,314)	-
Adjusted EBITDA	**19,096**	**18,634**	**74,766**
Add back: Adjusted EBITDA loss for ZenAuto	416	439	3,467
Adjusted EBITDA excluding ZenAuto	**19,512**	**19,073**	**78,232**

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

Zenith Automotive Holdings Limited (£000)	For the three months ended June 30,		For the year ended March 31,
	2021	2022	2022
Net increase in cash & cash equivalents	(3,173)	(13,226)	**40,955**
Add back / (Deduct):			
As adjusted credit enhancement adjustment	7,631	-	(29,346)
Acquisition Cash Flows	-	-	-
Financing - bank loans raised (Existing Revolving Credit Facility)	5,000	-	(20,685)
Financing - interest paid	8,733	13,469	31,534
Corporation tax (paid) / received	(906)	1,306	1,156
Purchase of fixed assets	1,848	3,531	10,217
Securitisation refinancing: fees and expenses	81	-	8,011
Senior debt refinancing: fees and expenses	-	2,775	8,761
Adjusted Operating Cash Flow	**19,213**	**7,855**	**50,603**

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 June 30,		For the year ended March 31,
	2021	2022	2022
EBITDA	**19,096**	**18,634**	**74,766**
Change in Working capital, including vehicle funding and payments	208	(10,779)	(24,100)
Exceptional items	(90)	-	(63)
Adjusted Operating Cash Flow	**19,213**	**7,855**	**50,603**
Purchase of fixed assets	(1,848)	(3,531)	(10,217)
Corporation tax (paid) / received	906	(1,306)	(1,156)
Cash Flow before acquisitions and corporate financing	**18,272**	**3,018**	**39,230**
Pro forma credit enhancement adjustment	(7,631)	**-**	29,346
Acquisition Cash Flows	-	-	-
Financing - bank loans raised (previous revolving credit facility and senior term debt)	(5,000)	-	20,685
Financing - interest paid (previous revolving credit facility and senior term debt)	(8,733)	(13,469)	(31,534)
Securitisation refinancing: fees and expenses	(81)	-	(8,011)
Senior debt refinancing: fees and expenses	-	(2,775)	(8,761)
Net cash flow (Change in Net Cash and Cash Equivalents)	(3,173)	(13,226)	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 in the periods in question.

Zenith Automotive Holdings Limited

Condensed unaudited interim financial statements

For the three months ended 30 June 2022

Zenith Automotive Holdings Limited

Information to accompany the condensed interim financial statements

For the three months ended 30 June 2022

Zenith Automotive Holdings Limited

Condensed consolidated statement of profit and loss account

For the three months ended 30 June 2022

	Note	Three months ended 30 June 2022 £'000	Three months ended 30 June 2021 £'000
Turnover	3	**157,690**	**144,915**
Cost of sales		(111,601)	(112,723)
Gross profit		**46,089**	**32,192**
Operating expenses		(27,456)	(13,096)
Operating profit before depreciation of owned tangible fixed assets, amortisation of goodwill and intangible assets and exceptional items		**18,633**	**19,096**
Depreciation of owned tangible fixed assets		(1,696)	(1,524)
Amortisation of goodwill		(6,081)	(5,968)
Amortisation of intangible assets		(6,693)	(6,660)
Operating exceptional items		-	(90)
Change of accounting estimates – fleet depreciation		11,314	-
Operating profit	4	**15,477**	**4,854**
Finance costs (net)		(27,554)	(26,764)
Loss before taxation	4	**(12,077)**	**(21,910)**
Tax (charge)/credit on loss		(356)	146
Loss for the financial period attributable to the shareholders of the group		**(12,433)**	**(21,764)**

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 three months ended 30 June 2022

	Three months ended 30 June 2022 £'000	Three months ended 30 June 2021 £'000
Loss for the financial period	(12,433)	(21,764)
Hedge gains arising during period (net of tax impact)	2,469	-
Total comprehensive expense attributable to the shareholders of the group	**(9,964)**	**(21,764)**

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 30 June 2022

	Note	As at 30 June 2022 £'000	As at 30 June 2021 £'000	As at 31 March 2022 £'000
Fixed assets				
Goodwill	5	361,471	384,864	367,201
Intangible assets	5	356,686	376,540	363,380
Tangible assets	5	731,032	596,447	726,127
		1,449,189	1,357,851	1,456,708
Current assets				
Inventory		1,047	1,020	1,058
Debtors				
– due within one year		148,124	118,456	135,207
– due after one year		74,105	77,637	75,113
Cash at bank and in hand		46,942	16,040	60,168
		270,218	213,153	271,546
Creditors: Amounts falling due within one year		(471,336)	(424,775)	(406,426)
Net current liabilities		(201,118)	(211,622)	(134,880)
Total assets less current liabilities		1,248,071	1,146,229	1,321,828
Creditors: Amounts falling due after more than one year		(1,359,303)	(1,183,041)	(1,423,503)
Provisions for liabilities		(109,235)	(86,571)	(108,828)
Net liabilities		**(220,467)**	**(123,383)**	**(210,503)**
Capital and reserves				
Called up share capital		271,546	271,546	271,546
Share premium account		2,444	2,444	2,444
Hedging reserve		10,069	(2,815)	7,600
Profit and loss account		(504,526)	(394,558)	(492,093)
Shareholders' deficit		**(220,467)**	**(123,383)**	**(210,503)**

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 30 June 2022

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Hedging reserve £'000	Total £'000
At 1 April 2021	271,546	2,444	(372,794)	(2,815)	(101,619)
Loss for the financial period	-	-	(21,764)	-	(21,764)
Total comprehensive expense	**-**	**-**	**(21,764)**	**-**	**(21,764)**
At 30 June 2021	**271,546**	**2,444**	**(394,558)**	**(2,815)**	**(123,383)**
Loss for the financial period	-	-	(97,518)	-	(97,518)
Hedges of variable interest rate risk	-	-	-	13,608	13,608
Deferred tax charge	-	-	-	(3,193)	(3,193)
Reassessment of goodwill on acquisition	-	-	(17)	-	(17)
Total comprehensive expense	**-**	**-**	**(97,535)**	**10,415**	**(87,120)**
At 31 March 2022	**271,546**	**2,444**	**(492,093)**	**7,600**	**(210,503)**
Loss for the financial period	-	-	(12,433)	-	(12,433)
Hedges of variable interest rate risk	-	-	-	3,292	3,292
Deferred tax charge	-	-	-	(823)	(823)
Total comprehensive expense	**-**	**-**	**(12,433)**	**2,469**	**(9,964)**
At 30 June 2022	**271,546**	**2,444**	**(504,526)**	**10,069**	**(220,467)**

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 30 June 2021 as it has been disclosed in the annual audited financial statements for the year end 31 March 2022 and is not material for the interims.

Zenith Automotive Holdings Limited

Condensed consolidated cash flow statement

For the three months ended 30 June 2022

	Three months ended 30 June 2022 £'000	Three months ended 30 June 2021 £'000
Operating profit	**15,477**	**4,854**
Adjustment for:		
Depreciation charges	28,561	30,149
Amortisation of goodwill and intangibles	12,774	12,628
Profit on sale of tangible fixed assets	(9,827)	(9,233)
Operating cash flow before movement in working capital	46,985	38,398
Capital repayment received from finance lessees	(942)	427
(Increase) / decrease in debtors	(7,830)	2,242
Decrease / (increase) in stock	11	(36)
Decrease in creditors	(23,732)	(9,521)
Increase / (decrease) in provisions	706	(399)
Net cash inflow from operating activities	**15,198**	**31,111**
Income tax (paid) / received	**(1,306)**	**906**
Cash flows from investing activities		
Proceeds from sale of operating lease assets	89,360	70,866
Purchase of operating lease assets	(26,236)	(12,862)
Purchase of operating lease assets (funded)	(96,090)	(88,888)
Acquisitions	-	-
Net cash flows from investing activities	**(32,966)**	**(30,884)**
Cash flows from financing activities		
Repayments of borrowings	(76,773)	(84,461)
Drawdown of funding	96,090	88,888
Interest paid	(13,469)	(8,733)
Net cash flows from financing activities	**5,848**	**(4,306)**
Net decrease in cash and cash equivalents	**(13,226)**	**(3,173)**
Cash and cash equivalents at start of the year	**60,168**	**19,213**
Cash and cash equivalents at end of the period	**46,942**	**16,040**

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 £7,801,000 (30 June 2021: £4,923,000; 31 March 2022: £9,283,000) that are not freely available for use by the Group.

Zenith Automotive Holdings Limited

Notes to the financial statements

For the three months ended 30 June 2022

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The financial information for the three month period ended 30 June 2022 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 2022, 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 2022, 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, 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.

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 2022, 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 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.

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 30 June 2022 amounts to £21.1 million (30 June 2021: £18.5 million; 31 March 2022: £20.4 million).

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 £361.5 million (30 June 2021: £384.9 million; 31 March 2022: £367.2 million). No impairment loss was recognised during the year ended 31 March 2022, nor the period ended 30 June 2022 (30 June 2021: £nil). The carrying amount of acquired intangible assets at the balance sheet date was £343.6 million (30 June 2021: £366.9 million; 31 March 2022: £349.4 million).

3. TURNOVER

	Three months ended 30 June 2022 £'000	**Three months ended 30 June 2021 £'000**
An analysis of the Group's turnover by class of business is set out below:		
Long term leases	90,011	73,646
Vehicle sales	44,234	44,185
Other*	23,445	20,438
	157,690	**138,269**

*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:

	Three months ended 30 June 2022 £'000	**Three months ended 30 June 2021 £'000**
Depreciation of tangible fixed assets		
Owned	1,041	1,080
Company cars	655	444
Held under finance leases and hire purchase contracts	38,179	28,625
Amortisation of goodwill	6,081	5,968
Amortisation of intangibles	6,693	6,660
Operating exceptional items	-	90
Change of accounting estimates – fleet depreciation	(11,314)	-

5. FIXED ASSETS

a) Goodwill

The total net book value of goodwill is £361.5million (30 June 2021: £384.9 million; 31 March 2022: £367.2 million). 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 2022 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 £356.7 million (30 June 2021: £376.5 million; 31 March 2022: £363.4 million). 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 30 June 2022 was £731.0 million (30 June 2021: £596.4 million; 31 March 2022: £726.1 million). The increase since 31 March 2022 is largely due to additions of £113.0 million offset by depreciation of £28.6 million and disposals of £79.5 million. There were no additions or disposals in the period that were individually material. The movement in fixed assets includes the effect of a change in accounting estimates for the residual values of a cohort of our vehicles, which is further described in Management's Discussion & Analysis, accompanying these financial statements.

d) Capital commitments

At the end of the period the Group had contracted capital commitments of £622.2 million (30 June 2021: £217.0 million; 31 March 2022: £546.5 million) 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 30 June 2022 the Group was committed to the future purchase of vehicles with a cost of £74.5 million (30 June 2021: £7.5 million; 31 March 2022: £49.0 million).

Zenith Automotive Holdings Limited

Notes to the financial statements
For the three months ended 30 June 2022

6. DEBTORS

	Group As at 30 June 2022 £'000	Group As at 30 June 2021 £'000	Group As at 31 March 2022 £'000
Amounts falling due within one year:			
Trade debtors	64,262	50,123	49,129
Amounts receivable under finance leases	-	-	-
Amounts receivable under hire purchase contracts	4,587	4,754	4,308
Amounts receivable under securitised contracts	26,507	23,123	14,406
Vehicles subject to repurchase agreements	6,835	9,355	7,352
Other debtors	9,300	2,270	18,011
Corporation tax	1,630	2,696	1,803
Fair value of hedging instruments	13,425	-	10,133
Prepayments and accrued income	21,578	23,539	21,176
VAT	-	2,596	8,889
	148,124	118,456	135,207
Amounts falling due after more than one year:			
Amounts receivable under hire purchase contracts	14,362	13,545	14,251
Amounts receivable under securitised contracts	23,285	19,891	28,420
Vehicles subject to repurchase agreements	32,994	41,341	29,564
Prepayments and accrued income	3,464	2,860	2,878
	74,105	77,637	75,113
	222,229	196,093	210,320

Amounts owed from group undertakings are unsecured, repayable on demand and, in the case of loan balances (as opposed to trading balances), charged at a commercial rate of interest.

Zenith Automotive Holdings Limited

Notes to the financial statements

For the three months ended 30 June 2022

7. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group As at 30 June 2022 £'000	Group As at 30 June 2021 £'000	Group As at 31 March 2022 £'000
Obligations under finance leases and hire purchase contracts	51,547	65,665	55,862
Obligations under securitised contracts	331,528	240,275	231,704
Vehicles subject to repurchase agreements	6,835	9,355	7,352
Trade creditors	26,744	45,493	43,473
VAT	448	10,318	-
Other taxation and social security	3,862	2,471	2,531
Corporation tax	-	1,925	-
Withholding tax	-	424	-
Other creditors	10,515	12,045	21,375
Fair value of hedging instruments	-	3,475	-
Accruals and deferred income	39,857	33,329	44,129
	471,336	424,775	406,426

Amounts owed to group undertakings are unsecured, repayable on demand and, in the case of loan balances (as opposed to trading balances), charged at a commercial rate of interest.

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

	Group As at 30 June 2022 £'000	Group As at 30 June 2021 £'000	Group As at 31 March 2022 £'000
Bank loans	-	440,061	-
Senior secured notes	465,403	-	464,923
Obligations under finance leases and hire purchase contracts	24,282	24,459	18,918
Obligations under securitised contracts	351,081	261,553	435,334
Vehicles subject to repurchase agreements	32,994	41,341	29,564
Loan notes	308,157	279,050	308,040
Accruals and deferred income	177,386	136,577	166,724
	1,359,303	1,183,041	1,423,503

Notes to the financial statements
For the three months ended 30 June 2022

9. NET SENIOR DEBT

	As at 1 April 2021	Cash flows	Other non-cash charges	As at 30 June 2021
Cash at bank and in hand	19,213	(3,173)	-	**16,040**
Senior term debt	434,316	-	-	**434,316**
Senior revolving facility	20,000	(5,000)	-	**15,000**
Unamortised loan arrangement costs	(10,097)	-	841	**(9,256)**
Net senior debt	**425,006**	**(1,827)**	**841**	**424,020**

	As at 1 April 2022	Cash flows	Other non-cash charges	As at 30 June 2022
Cash at bank and in hand	60,168	(13,226)	-	**46,942**
Senior secured notes	475,000	-	-	**475,000**
Senior revolving facility	-	-	-	**-**
Unamortised loan arrangement costs	(10,077)	-	480	**(9,597)**
Net senior debt	**404,755**	**13,226**	**480**	**418,461**

A breakdown and reconciliation of the Group's net senior debt as at 31 March 2022 can be found in note 20 to the audited financial statements for the year ended 31 March 2022.

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 £579.7m (loan notes and preference shares), finance leases and vehicle funding £798.3m (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 2022).

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 three months ended 30 June 2022 we paid a monitoring fee of £62,500 (three months ended 30 June 2021: £62,500; year ended 31 March 2022: £250,000).

11. ULTIMATE CONTROLLING PARTY

At 31 March 2022 and 30 June 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.