Zenith
Intelligent Vehicle Solutions

TOMORROW'S WORLD TODAY

Zenith Automotive Holdings Limited
Annual Report 2023

Introduction

DECARBONISING TOMORROW'S VEHICLE PARC TODAY

The UK's leading independent leasing, fleet management and vehicle outsourcing provider, serving businesses and consumers. Our vision is to decarbonise the UK vehicle parc by eliminating tailpipe emissions.

View this report, and the rest of our reporting suite, at **www.zenith.co.uk**

Group at a glance

The first name in innovative vehicle solutions

Zenith in numbers[1]

TURNOVER
£688.1m

FY23	688.1
FY22	589.1
FY21	491.1

GROSS PROFIT[2]
£147.0m

FY23	147.0
FY22	136.2
FY21	103.2

EBITDA[2]
£79.4m

FY23	79.4
FY22	74.7
FY21	58.1

TOTAL FLEET SIZE
168,292

FY23	168,292
FY22	162,041
FY21	147,203

TOTAL FUNDED FLEET SIZE
76,034

FY23	76,034
FY22	70,155
FY21	66,744

TOTAL ORDER BANK[3]
12,015

FY23	12,015
FY22	13,395
FY21	5,986

BATTERY ELECTRIC VEHICLES (BEVs) AS % OF FUNDED FLEET[3]
32%

FY23	32%
FY22	19%
FY21	9%

BEV AS % OF TOTAL ORDER BOOK[3]
47%

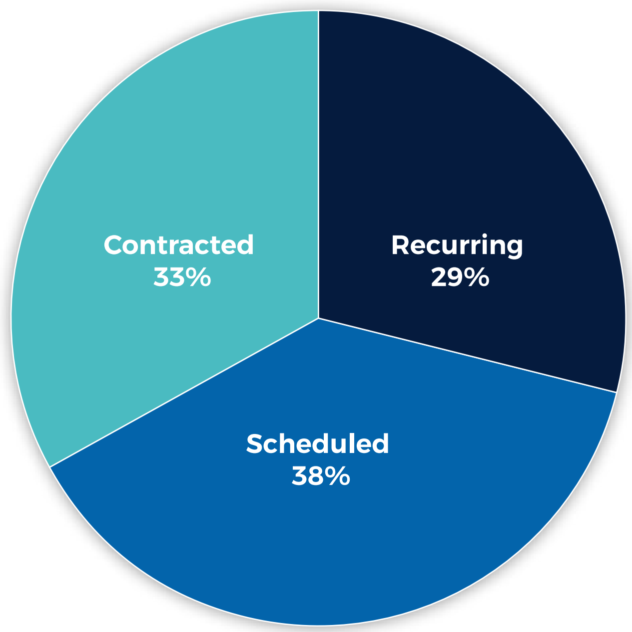
FY23	47%
FY22	58%
FY21	N/A

TOTAL NUMBER OF EMPLOYEES
1,383

FY23	1,383
FY22	1,213
FY21	766

1 A comprehensive set of statutory and non-statutory performance measures are described in the CFO Statement from page 86 of this report. The Group's statutory loss after tax for the year ended 31 March 2023 was £71.4m (2022: loss of £119.3m).
2 Excluding the adjustment relating to the reassessment of residual values on funded fleet (£30.8m) and exceptional items (£4.4m) which are explained further in note 6 to the financial statements.
3 Excluding managed fleet and commercial vehicles.

Our income is visible and reliable[1]



Contracted incomes
Our vehicle leasing and fleet management contracts typically span three-to-four years, but some contracts for commercial vehicles can extend up to ten years, providing good visibility of future income streams into the medium term.

Recurring incomes
We generate a variety of recurring income through our ancillary services. While more ad-hoc, these are predictable, e.g. short-term trailer rentals, rental brokerage and servicing, which is driven by usage. Other recurring income includes management of repairs and accidents.

Scheduled incomes
The majority of our scheduled income relates to the profits from the planned disposal of our vehicles at the end of the lease contract. We have good visibility of these incomes in advance, as we know the likely timing at the start of the lease.

1 Income is equivalent to gross profit, excluding the reassessment of residual values on funded fleet and exceptional items which are explained further in note 6 to the financial statements.

Find out more on how we generate our income, see Our business model – page 16

What makes us stand out

One Zenith
We offer the full range of vehicle types and service solutions to corporates and consumers.

Quality of service
Our reputation for consistently delivering great customer service is underpinned by our culture and values.

Independent ownership
Independent ownership and financing means we can be agnostic across vehicle make, powertrain and funder.

Powered by people
Our people culture has always been central to our success; the Zenith People Promise will ensure this continues.

Reinforced with digital technology
We continue to make significant investments in tech to deliver a single, fully digital, fully-scalable multi-asset management platform.

Scalable and sustainable funding
The business has diverse, scalable and sustainable sources of funding, enabling us to grow and support our customers.

Delivering tomorrow's sustainable vehicle solutions today

Our three operating divisions enable us to address an overall target market of 15.6 million vehicles across a range of segments, providing us with diverse income streams.

Leasing Company of the Year
+20k vehicles

FleetNews AWARDS 2023

Three operating divisions		Three channels to market	A large fleet	Strong performance	Find out more
CORPORATE **TRUSTED FLEET AND SALARY SACRIFICE PARTNER**	We work to unlock the potential of our client fleets, which include some of the UK's largest blue chip companies. With over 30 years' experience, we provide fully outsourced company sponsored car, van, and salary sacrifice schemes, and short-term rental vehicles, alongside a suite of ancillary services and products, including our award-winning service, fleet management, in-life services, and consultancy support.	B2B2E **BUSINESS TO BUSINESS TO EMPLOYEE**	TOTAL FLEET SIZE **53,517** +2.5% FUNDED FLEET SIZE **47,259** +8.1%	TURNOVER **£390.2m** +8.4% GROSS PROFIT **£93.9m** +5.4%	Corporate – page 56 Rental – page 60
COMMERCIAL **BUSINESS CRITICAL FLEETS**	We offer commercial fleet operators the most comprehensive range of mobility services in the UK market for LGVs, HGVs and trailers. Our services include fleet management, maintenance, funding, rental and flexible hire solutions. We are trusted by some of the UK's most prestigious companies to keep their operational fleets compliant, cost efficient and available.	B2B **BUSINESS TO BUSINESS**	TOTAL FLEET SIZE **46,767** (5.9)% FUNDED FLEET SIZE **17,642** +0.3%	TURNOVER **£211.3m** +13.0% GROSS PROFIT **£32.4m** (3.4)%	Commercial – page 62
CONSUMER **THE DRIVE TO LEASING** ZenAuto	ZenAuto offers consumers a totally digital car leasing experience. To 'Zen it' promises consumers smart usership, flexible plans and a simple start-to-finish digital journey, all supported by industry-leading customer service. Through our White Label Solutions business, we offer outsourced leasing and fleet management services, leveraging our expertise to support automotive manufacturers/distributors and consumer finance businesses.	B2C **BUSINESS TO CONSUMER**	TOTAL FLEET SIZE **68,008** +13.1% FUNDED FLEET SIZE **11,133** +25.9%	TURNOVER **£86.6m** +105.7% GROSS PROFIT **£20.7m** +51.7%	ZenAuto – page 66 White Label Solutions – page 70

See Business highlights – pages 56 to 77
See Market overview – page 12
See KPIs – page 28
See CFO statement and Financial statements – pages 86 to 91 and pages 122 to 152

READY

Strategic Report

Chair's foreword

Leading the industry into the world of tomorrow

Welcome to our review of the financial year ended 31 March 2023, a year of strong performance in a challenging economic environment. I'd like to thank the entire Zenith community for everything they have achieved for our stakeholders and their drive to deliver against our strategic initiatives.

This has been another year of varied and unexpected challenges, with profound implications for our industry and the wider economy. The ongoing conflict in Ukraine, which began not long before the start of our financial year, has led to extended geopolitical uncertainty and disruption across global supply chains, compounded by a sharp rise in gas and electricity prices. Inflationary pressures and interest rate rises have hit the economy, creating a difficult operating environment for UK business and consumers.

Against this testing backdrop, we are proud to have delivered a strong performance, growing our fleet, increasing profitability, improving service levels following the challenges during and post COVID-19, and building future people and system capabilities. Zenith's diversity across business and consumer markets continues to prove resilient, driving positive outcomes for our colleagues, customers, and investors. Our overall fleet grew by 3.9% to 168,292, despite car registrations declining to reach the lowest level since 1992[1]. Our funded fleet grew by 8.4%, with the proportion of battery electric vehicles (BEVs) growing to over 32%[2], reflecting solid progress on our vision to decarbonise the UK vehicle parc by eliminating tailpipe emissions.

Progress for our stakeholders

In support of our vision to decarbonise the UK vehicle parc, we have continued to play a leading role in advancing the BEV agenda and our work to support customers has seen measurable improvements in service levels.

Our dialogue with governmental policymakers has supported the understanding of the steps required to support the UK's ambitious BEV transition. We played a key role in the successful British Vehicle Rental and Leasing Association (BVRLA) campaign, urging the Chancellor to support the ongoing uptake of BEVs by maintaining Benefit-in-Kind (BiK) tax at its current low level. We were encouraged by the government's commitment to extending favourable BiK rates through to 2028. This decision, with BEVs as the fastest growing segment of our fleet, gives me great confidence in our strategic direction and the market opportunity.

As a carbon neutral business, we continue to evolve our sustainability strategy and are making good progress towards achieving net zero status. We have accelerated our approach with new sustainability appointments to drive our environmental, social and governance (ESG) agenda and the launch of carbon literacy training for the Leadership Board and over 200 senior leaders.

Meaningful financial progress has also been made as we remained focused on growing shareholder value and preserving cash. We increased the size of our securitisation facilities, which now stand at £975m, and extended these to November 2025 to facilitate the growth in our fleet size. We continued to progress with our green bond undertaking to invest an amount equivalent to the bond size in BEVs, and have, to the end of March 2023, achieved nearly 90% of our target.

1 SMMT, car registrations.
2 Excluding managed fleet and commercial vehicles.

Highlights of the year

- **Funded fleet grew by 8.4%**
- **Customers rated ZenAuto service as excellent with a 4.8 Trustpilot score**
- **Extended securitisation facilities by £250m**
- **Strategy underpinned by government policy**
- **Reduced direct carbon emissions by 29%**
- **Celebrated first Inclusion Month**

See how our strategy makes Zenith a cross-category leader

Page 20

Looking at our people agenda we have taken measurable steps on our commitment to build a thriving culture that values difference. It is well documented that the sector lacks diversity, and in an important step forward we launched the Zenith Census to better understand the diversity of our people. Within the valuable data our census has yielded, we can see the strong progress made in better representing our communities, particularly in the numbers of women appointed and promoted to senior leadership positions.

Outlook

As we look ahead, while we anticipate that the macroeconomic challenges experienced during the last year will lessen, we are cautious regarding the immediate near-term. This is because inflation remains stubbornly high and further interest rate rises are likely to persist for the foreseeable future, with inevitable consequences on disposable income and consumer confidence. As such, we believe demand in our Consumer business may weaken, with near-term growth likely to be slower. However, as new car supply constraints continue to ease, there is growing demand for company-sponsored vehicle schemes (both fleet and salary sacrifice), as companies and their employees seek to take advantage of BiK incentives.

What is clear, as our resilient business model has again demonstrated, is Zenith's ability to pivot across the breadth of our proposition, to capitalise on our growth opportunities.

Lord Stuart Rose
Chair
30 July 2023

"Zenith's diversity across business and consumer markets continues to prove resilient, driving positive outcomes for our colleagues, customers and investors."

Chief Executive Officer's statement

A year of strong and continued growth

I am incredibly proud of what we have achieved in the last year. We have stepped up to the challenges of our operating environment with the strength of our strategy, resilience of our business model, and our committed colleagues delivering another strong year of performance. As a result, we have much to celebrate.

The Zenith team has leaned into the changes and challenges of the last year, as world events have tested us as a business and as individuals. They have also opened up new opportunities and shown how we can adapt and grow as a team to take on difficult situations and thrive.

This is an immense achievement and would not have been possible without our fantastic colleagues, their ideas, and incredible hard work. I would like to thank everyone for the day in, day out support they give to our incredible customers – long standing and new – who place their trust and confidence in Zenith every day.

Evolving our business

In developing the Zenith business over the last 30 years, we have committed to building a sustainable organisation that delivers long-term value for all our stakeholders. Over the last year we have stepped up for our customers, investing in technology to deliver a compelling user experience. At the same time we have continued to embed sustainability throughout our operations and supported our people through the cost-of-living crisis.

The incredible work of our customer service teams is reflected in our Trustpilot scores (Corporate Zenith at 4.1, and ZenAuto at 4.8). Concurrently, technology transformation is enabling us to advance our working practices and drive further improvements to the customer experience as we continue to roll out our single asset management platform and digital front-end portals. When complete, this will be an industry-defining moment putting Zenith ahead of the market and facilitating the continued growth of the Group for the longer term.

Our vision to eliminate tailpipe emissions from the UK vehicle parc grows in prominence, even more so with UK government's decision on Benefit-in-Kind (BiK) commitments and the new zero emission vehicle (ZEV) mandate, which will require all new car and van sales to be zero emission by 2035, underpinning the Zenith strategy. With climate change as the long-term backdrop and prime impetus for change, supporting our customers on their net zero journeys has never been more important.

The transition to battery electric vehicles (BEVs) across car and van fleets is a critically important theme. We have seen a year-on-year increase of almost 100% in our BEV fleet, with over 18,000 Zenith funded BEVs now on the road with a further 5,600 in the order bank. In the last year, 71% of in-house consultancy team projects included recommendations to help increase BEV uptake in our customers' fleets.

We are also at the forefront of research into the lived experience of driving a BEV, with the launch of our first EVXperience Report, which surveyed over 3,100 of our customers' BEV drivers. The report findings are enabling us to counter negative assumptions made about BEVs, with 86% of drivers saying they wouldn't go back to an ICE (internal combustion engine) vehicle. Not only does this evidence the critical role we play in supporting the transition to more sustainable motoring, but it also validates the trend towards EV adoption.

For our Commercial customers we continue to explore how we can support them as they prepare their fleets for the future of alternative fuels. More than ever the major commercial fleet operators look to us for innovations in service and technology to maximise their operational efficiency. Our latest development, a new app which is being rolled out for G4S, aids fast decision making on daily vehicle checks, reducing downtime.

As ever, our people strategy is front and centre. In the last year we have created 170 new jobs in our local communities, while continuing to develop a culture where everyone can thrive and build long-term fulfilling careers. Our approach was once again recognised by Best Companies, where Zenith is ranked as a 1 star company – only 1.5% away from 2 stars. Last October we celebrated our first Inclusion Month, with guest speakers and panel discussions that brought our people together to learn and debate themes across our equity, diversity and inclusion focus areas. We continued our successful apprenticeship programme and saw our highest ever cohort, with 29 new apprentices as well as a new scheme for our on-site technicians in our Commercial division, helping address the skills shortage across the sector for the future.

We have also recognised the impact the current cost-of-living crisis is having on our people. I am proud that last autumn we were able to give all our permanent colleagues a cost-of-living support payment, in addition to a market-leading pay award. We also partnered with the UK's leading debt charity StepChange, which provided advice workshops to help our people navigate their way through the challenge of rising costs. In addition we formed a new strategic partnership with BEN, the automotive sector wellness charity, to further broaden our wellbeing proposition for colleagues.

Business performance

Against the backdrop of vehicle supply constraints and the geopolitical and economic instability, we have grown our customer portfolio, fleet and earnings. We delivered an EBITDA of £79.4m[2]; a year-on-year growth of 6.3%. Our balance sheet remains robust, and we have good discipline in capital management. However, we are not immune to the macro challenges, and have experienced increased cost pressures with a growth in our overheads, albeit principally because of our investment in our people and systems which will realise benefits in the coming years.

Our total fleet has grown by 3.9% to over 168,000 vehicles. We continue to experience strong customer demand with over 12,000 vehicles on order, making us one of the most successful leasing companies in the UK. In the last year, we have won 43 large new salary sacrifice schemes, our emerging ZenAuto consumer business has reached break-even[1] in its fourth year of trading and has now reached over 11,000 vehicles, with our Commercial vehicle operation continuing to deliver innovation for some of the UK's largest commercial fleets. These successes were recognised by Fleet News, which named us their Leasing Company of the Year.

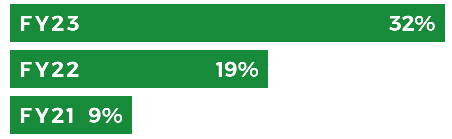
From a regulatory perspective, we have made good progress to comply with the Financial Conduct Authority's (FCA) new Consumer Duty, which applies to consumer regulated businesses from 31st July 2023. It has been reassuring to validate the processes we have in place to support and protect customers, particularly those who are vulnerable and need our support.

Our commitment to local communities continues, and in January this year we were proud to become signatories of the Yorkshire and Humber Climate Action Pledge, which brings together regional organisations to support climate action.

Highlights of the year

- **EBITDA increased more than 6% to £79.4m[2]**
- **Turnover growth of 16.8%**
- **Increased BEVs on funded fleet to 32%[3]**
- **Transformational customer portal launched**
- **Launched new EVXperience report**
- **Cost-of-living support for employees**

BATTERY ELECTRIC VEHICLES (BEVS) AS % OF FUNDED FLEET[3]



TURNOVER (£M)

Looking ahead

I am encouraged by our successes of the past year, despite the challenging macro environment. We have continued to grow our fleet, revenues, and profitability, while extending our funding facilities and delivering value to all our stakeholders. We have also achieved this while transforming our systems capability and investing in our people.

Looking ahead, as the new car supply chain starts to ease, and with government policy underpinning our strategy, we have a sizeable addressable market to serve. At the same time our systems' transformation will make us more attractive to existing and new customers and improve our business efficiency.

As a key player in a dynamic, growing and evolving market, there are many opportunities ahead of us. I look to the next phase with enthusiasm and confidence as we continue to deliver on our vision of eliminating tailpipe emissions from the UK vehicle parc and capitalise on our market leadership and competitive advantage.

Finally, I would like to thank our customers and business partners for their continuing support of Zenith.

Tim Buchan
Chief Executive Officer
30 July 2023

1 Break-even on an EBITDA basis, before exceptional items which are further explained in note 6 to the financial statements.
2 Excluding the adjustment relating to the reassessment of residual values on funded fleet (£30.8m) and exceptional items (£4.4m) which are explained further in note 6 to the financial statements.
3 Excluding managed fleet and commercial vehicles.

Market overview

Market opportunity

The UK vehicle parc, which comprises over 40 million vehicles[1], is our target market. In the five years before COVID-19, it grew by 1.7%[1] and in 2022 alone by 1.6%. There are a number of structural trends supporting our growth objectives into the medium term.

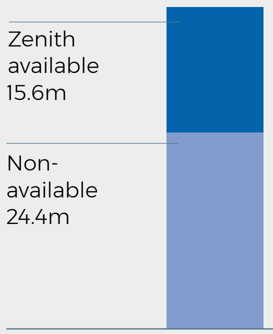
Large and growing target available market

Within the UK vehicle parc, we estimate the total available market to be 15.6m[2] vehicles, representing the range of vehicle types we offer and equating to a total market opportunity of £8.3bn[2].

AVAILABLE MARKET

15.6m vehicles

UK VEHICLE PARC (IN MILLION VEHICLES)



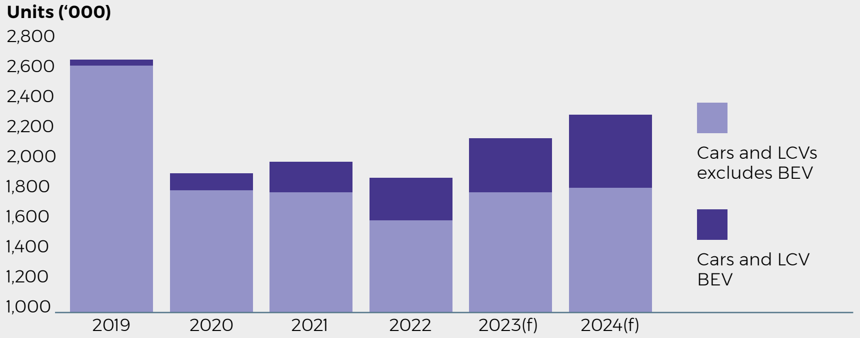
Our available market comprises HGVs, LCVs, corporate cars, salary sacrifice schemes and new and first used cars for consumers.

Our non-available market principally comprises used vehicles on the third or more cycle of ownership, Motability Scheme vehicles and other corporate and commercial vehicles in the SME or public sector segments.

Return to growth in vehicle registrations

The majority of our leasing activity relates to new vehicles and therefore new vehicle registrations are a key driver of our business. Once the impact of COVID-19 subsided in 2022, volumes struggled to recover due to supply and logistics constraints. This was further exacerbated in the latter half of the year by weak consumer and business confidence. In early 2023 volumes started to recover, with expectations of a 10% CAGR for 2023, and 2024[3].

UK VEHICLE REGISTRATIONS



Battery electric vehicles (BEVs) – the fastest growing segment of the vehicle market

BEVs are growing at the fastest rate of all vehicle fuel types due to rising climate awareness and government incentives. BEVs made up 15% of vehicle registrations in 2022 and are forecasted to rise to 21% in 2024[3].

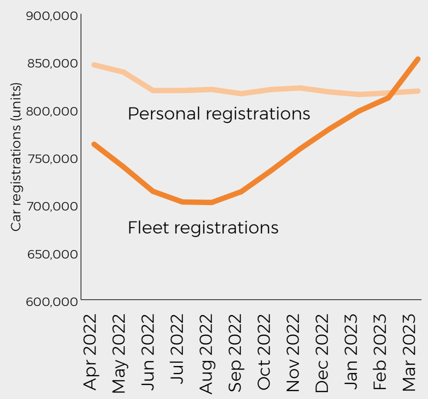
BEV AS % VEHICLE REGISTRATIONS (2024F)

21%

Trend from ownership towards usership

Subscription-type services are increasingly replacing ownership across many sectors of the economy, including the vehicle market. This trend is also being experienced in the automotive market, where consumers are more likely to lease than buy. In the 12 months to March 2023, fleet registrations grew by 11.8%[3] (despite a decline in early 2022 due to supply constraints) compared to private registrations which declined by 3.3%. Fleet registrations now make up the majority of new car registrations (50.3% share in March 2023), and around 90%[4] of personal new car sales are financed, reflecting a trend towards usership and away from ownership.

PRIVATE AND FLEET CAR REGISTRATIONS TTM



FLEET REGISTRATIONS FORM THE

Majority

of total registrations

Growing ecommerce and delivery market

We estimate that we have a 22% share of the rental trailer market, and the widest range of trailers in the industry. Many of our customers operate in the ecommerce space through online shopping and parcel delivery. The UK is estimated to be the fourth largest market globally for ecommerce and is expected to grow at an annual CAGR of 8.4% between 2023 and 2027, presenting us with a large and growing market to serve[5].

ECOMMERCE CAGR (2023-27)

8.4%

Digital, remote vehicle leasing and services

Our ZenAuto business is the first fully digital end-to-end PCH[6] offering in the UK, providing a completely remote solution to vehicle leasing and services. We plan to extend this into the small to medium-sized enterprises (SME) market by launching a business contract hire (BCH) solution this year. The dealership market is becoming progressively disintermediated, with consumers increasingly preferring to research and complete their contract online. With our market-leading technology and customer portals, combined with our experienced customer service teams we are well placed to take advantage of this trend.

FIRST UK PCH THAT IS

Fully digital

Climate awareness and supporting our customers' environmental, social and governance (ESG) strategies

With our target market, the vehicle market, being the largest contributor of greenhouse gasses in the UK, we are at the forefront of plans to reduce emissions. In pursuit of our vision to eliminate tailpipe emissions, we are a key contributor to and enabler of many of our customers' own ESG and sustainability strategies. For example, all of our Corporate customers now have a zero emission/BEV-enabled policy, in many cases developed with our in-house consultancy team. Climate awareness is also well developed amongst consumers – in a study by the ONS[6], 74% of adults aged 16 and over said they were very or somewhat worried about climate change. These trends, along with the catalyst of government legislation and incentives such as low Benefit-in-Kind (BIK) rates on BEVs, is accelerating both demand and supply for sustainable products and services.

CORPORATE CUSTOMERS WITH A ZERO EMISSION/ BEV-ENABLED POLICY

100%

1 Department for Transport. 2 Zenith analysis. 3 SMMT, includes car and LCV. 4 Fleet News. 5 ecommercedb.com 6 Personal Contract Hire. 7 Office for National Statistics.

Our solutions

Our leading range of vehicle mobility solutions

Customers choose to work with us due to the extensive range of proven vehicle solutions we offer, across our diverse operating divisions.

VEHICLE PROCUREMENT

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

FLEET FUNDING

We provide a range of bespoke funding solutions to our customers across the range of vehicle types: motorcycles, cars, vans, LCVs, HGVs and trailers. Our funding solutions include personal contract hire, contract purchase, finance lease, salary sacrifice, employee car ownership, and sale and leaseback.

TRAILER RENTAL

Our trailer fleet, which comprises the widest range in the industry, is also one of the largest. We operate from a national network of ten in-house depots, combined with a service and maintenance network, including nearly 100 mobile units and four workshops. We deliver the highest levels of response, safety and compliance.

FLEET MANAGEMENT

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

VEHICLE COMPLIANCE

We ensure our customer fleets are fully compliant, covering MOT, service and inspections, including ancillary equipment systems. Our systems are fully 'DVSA earned recognition' compliant, and ensure that customers have real time digital access to all compliance documentation.

MAINTENANCE AND REPAIR

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

DRIVER SERVICES

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

WHITE LABEL SOLUTIONS

Through access to our award-winning technology, services and teams, we deliver bespoke solutions that enable vehicle manufacturers and financial institutions to go to market by outsourcing their leasing and fleet management activities to us.

SHORT-TERM HIRE

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

ACCIDENT MANAGEMENT AND ANCILLARY SERVICES

We offer comprehensive year-round 24/7 support, from first notification of loss to getting vehicles back on the road as quickly as possible, and aggregating and delivering tech-led complementary services, enabling fleets to operate effectively.

REMARKETING

Our vehicle disposal solution covers the spectrum of vehicle management, movement and disposal services, on an agency and principal basis working through numerous disposal channels and partners such as auctions.

CONSULTANCY

Our in-house consultancy team provides expert advice and analysis to help shape future fleet strategy across all assets, focusing on cost, risk, operational effectiveness, driver engagement, legislative change and decarbonisation.

Our business model

The unique combination of our strengths enables us to create sustainable value for our stakeholders.

Our strengths...

Our strategic priority

We have a clear purpose and direction; to eliminate tailpipe emissions in the UK vehicle parc. We have a well-embedded environment, social and governance (ESG) strategy to achieve our purpose.

Our track record

We have over 30 years' experience in the UK leasing industry. The majority of our leadership team members have over 20 years' industry and multi-sector experience, with our executive directors both having over 20 years' leadership experience in the Zenith business.

Our independence

We are the UK's number one independent specialist for vehicle mobility:

- Independent of any bank or lender – free to offer various funding types to suit customers' needs
- Independent of any vehicle manufacturer – free to offer any make, marque or model, with no conflict of interest; impartial to any drivetrain decision.

Diversity of our market segments

We go-to-market through our three divisions which address the Corporate, Commercial and Consumer market segments, providing a resilient competitive position, visibility of revenue streams and attractive growth prospects.

Focus on prime customers

We focus on blue chip, mid-to-large cap corporates, with most of our publicly rated customers being investment grade. Our Consumer division focuses on prime and super-prime consumer credit.

Our people

We strive to create an environment and culture where every colleague can be the best version of themselves, enabling a high performance culture. We have built a solid foundation of diversity and continue to develop this in all aspects.

Our partner relationships

Our well-regarded position within the industry is reflected in our close relationships with our partners across our supply chain and also with industry bodies, e.g. British Vehicle Rental and Leasing Association (BVRLA). Our CEO sits on the Committee of Management and we have delivered joint initiatives (such as the BVRLA's **#SeeTheBenefit** campaign).

Our sustainable financing

We have a well-developed asset financing model leveraging our securitisation programme, agency and back-to-back funders, providing us with reliable financing to support our growth initiatives at attractive rates.

...enable us to capture...

New vehicle supply

Used vehicle demand

...enable us to grow...

Funded fleet

Managed fleet

Short term rental

Trailer rental

Market indicators | Internal metrics

...which delivers reliable income streams...

Contracted incomes

- Lease margin
- Fleet management
- Vehicle and trailer rental

Recurring incomes

- Short-term trailer rental
- Rental brokerage
- Accident management
- Pay As You Go maintenance, repair, and service

Scheduled incomes

- Vehicle disposal profits
- Service and maintenance

...to create value for our stakeholders:

Planet

ELIMINATION OF TAILPIPE EMISSIONS

9,733tCO_2e[1]

of emissions avoided in FY23

Customers

INDUSTRY-LEADING CUSTOMER SERVICE

4.8 / 4.1

ZenAuto/Corporate Trustpilot score

Investors

PROFITABLE GROWTH FOR OUR SHAREHOLDERS

£79.4m[2]

EBITDA

Our people

A FAIR DEAL FOR ALL, DIVERSITY AND INCLUSION AT THE HEART OF WHAT WE DO

20%

year-on-year growth in training

Communities

SUPPORTING SCHOOLS AND THE COMMUNITY

1,700 hours

volunteered across the Group

[1] Tonnes CO_2 emissions.

[2] Excluding the adjustment relating to the reassessment of residual values on funded fleet (£30.8m) and exceptional items (£4.4m) which are explained further in note 6 to the financial statements.

Our investment case

Due to our leading position within the vehicle leasing industry, the breadth of services we provide and our diversity of end markets, Zenith offers a strong investment case.

Visible and recurring income

The majority of our leases are contracted for three to four years (often longer in the Commercial division) and are frequently combined with service, maintenance and repair contracts, providing visibility over our income streams into the mid-term.

Over 70% of gross profit[1] is generated by contracted and scheduled income

Focus on 'prime' customers

We target 'prime' customers within our chosen markets as they require service intensive solutions, enabling us to sell ancillary services alongside lease and vehicle management contracts. This approach achieves a low level of default and delinquencies and provides additional assurance over our income streams.

Two+ years of no delinquencies in our Corporate division

Favourable structural market trends

With the transport sector accounting for the largest share of greenhouse gases (GHGs) in 2023, we are well placed to benefit from the government's initiatives to reduce emissions through supporting vehicle conversion to battery electric vehicles (BEVs).

Low Benefit-in-Kind (BiK) on BEVs until 2028 and BEV mandate for OEMs from 2035

Leading the decarbonisation of the UK vehicle parc

We have made significant progress on our stated vision to decarbonise vehicle tailpipe emissions; a trend that will continue as BEVs comprise a growing share of the vehicle parc.

32%[2] of our funded fleet and 47%[2] of our order bank comprises BEVs

Independent funding approach

Through the utilisation of third-party funding sources, we are able to adapt our funding to our customers' needs.

Funding grown by £0.9bn over the past five years

Sole supplier to many of our customers

Many of our Corporate and Commercial customers trust us wholly with their fleet management and related services, providing strong levels of customer retention.

Sole supplier to many of our 250+ Corporate customers

POWERED BY OUR BUSINESS MODEL

Our strengths enable us to create sustainable value for our stakeholders

Read more on pages 24 to 27.

1 See page 3 for further details of income type.
2 Excluding managed fleet and commercial vehicles.

Market-leading digital platform with proprietary portals

We are mid-way through an IT transformation, which is providing us with the ability to scale to one million vehicles and provide unparalleled customer functionality and analytical capability.

Customised, digital proprietary platform for scale

Award-winning business

Zenith was recognised as Leasing Company of the Year (more than 20,000 vehicles) at the Fleet News Awards. The award panel praised our successful sustainability agenda, outstanding breadth of reach as a great base for ongoing growth, with 'excellent' internal training and career progression.

Fleet News Leasing Company of the Year (more than 20,000 vehicles)

Focus on customer service

The results of our continued focus on, and investment in, customer service is reflected in our market-leading Trustpilot scores.

ZenAuto: 4.8 | Corporate: 4.1

Consistent growth in income

Through the retention and organic growth of our customer portfolio and solutions, supplemented by targeted acquisitions, we have consistently grown our fleet and returns to our shareholders.

16 out of last 17 years of consistent growth in income

Leading industry brand

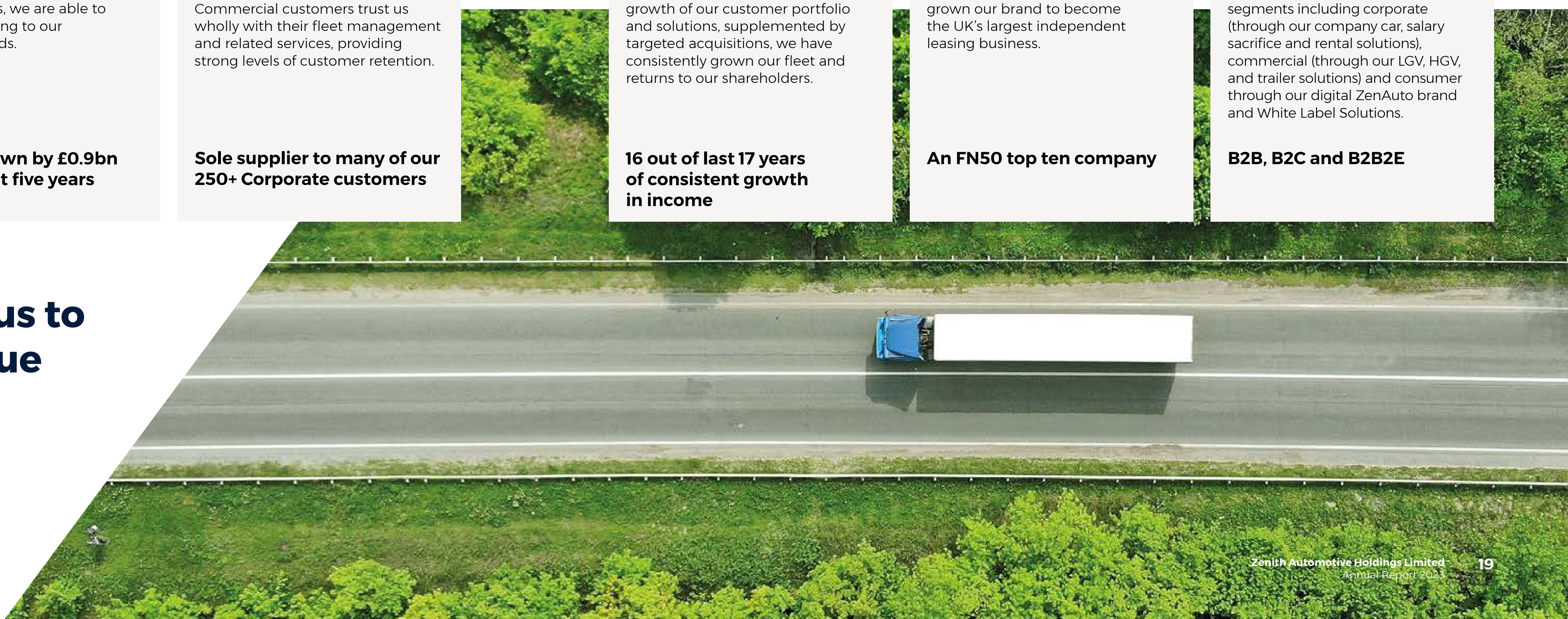
Over the last 30 years, we have grown our brand to become the UK's largest independent leasing business.

An FN50 top ten company

Diversity of customer channels

We address a range of market segments including corporate (through our company car, salary sacrifice and rental solutions), commercial (through our LGV, HGV, and trailer solutions) and consumer through our digital ZenAuto brand and White Label Solutions.

B2B, B2C and B2B2E



Our strategy

Reaching tomorrow's goals today

Our strategy focuses on achieving great things for our customers and transforming the world we live in, from what it means to be part of Zenith, to our impact on society. It is at the heart of everything we do.

"Our strategy reflects not just our aspirations for the business but the very essence of the culture we are building at Zenith. It's about how we live our values and the choices we make each day."

Martin Jenkins
CEO Zenith – Commercial Division
and Group Strategy Director

OUR PURPOSE

To provide sustainable, innovative vehicle mobility solutions

OUR VISION

To decarbonise the UK vehicle parc by eliminating tailpipe emissions

OUR VALUES

INNOVATIVE
PASSIONATE
AGILE
PROUD
DRIVEN
HONEST

Our five point strategy

Be pre-eminent in our chosen markets

Embed sustainability throughout the business

Be the employer of choice in our sector

Make a positive impact on society

Create value for our stakeholders

See how we put our strategy into action on pages 38 to 53

Our strategy continued

	How we deliver	Value created
Be pre-eminent in our chosen markets	• Be a collaborative partner by deploying our expertise, scaled funding and vehicle mobility solutions • Continue to develop new products and solutions that enhance our leading position • Undertake selective mergers and acquisition (M&A) activity aligned with our strategy where this enhances our capabilities, increases our scale, or provides synergies.	The breadth of our leasing and fleet management solutions and related services, combined with our knowledgeable and responsive customer service teams, means we are able to build long-term relationships with our customers, who value us as a strategic partner. Our strong brand, developed over 30 years, provides us with a track record of leadership in our industry.
Embed sustainability throughout the business	• Transition our own fleet to zero emissions and empower our customers to do the same • Continue to expand our environmental, social and governance (ESG) capabilities • Deliver against our ambitious ESG objectives with measurable targets • Sustain and develop resilient and scalable operations with supply chain excellence.	We have placed sustainability at the heart of everything we do. Our focus is on creating a platform for sustainable long-term growth for all of our stakeholders. We have created long-term career opportunities, providing sustainable employment. We've also contributed to a more sustainable environment through the reduction in emissions associated with our business model.
Be the employer of choice in our sector	• Continue to deliver our long-term people strategy, the 'People Promise' • Design our business for success, so our roles have purpose and embrace scale • Build brilliant teams, with inspiring leaders and colleagues who can be the best version of themselves • Cultivate a Thriving Culture, with Inclusion Everywhere and where colleagues care for each other.	Our people are our most valuable asset. They are the ones ensuring we have high performance operations that deliver our purpose and vision, growth and value to our shareholders. In exchange, we strive to offer an exceptional colleague experience, from recruitment to retirement.
Make a positive impact on society	• Place ESG at the centre of our culture and adopt it as a guiding design principle, to ensure Zenith acts responsibly, leading by example across the industry • Influence the public policy agenda through thought leadership, data and insights • Continue to develop and evolve our community and fundraising efforts, particularly partnerships with local schools and colleges.	We aim to have the smallest possible impact on the planet, while making the biggest possible positive impact in our communities and for society. We support our customers' sustainability strategies by helping them transition their fleet to zero emission vehicles (ZEVs), extending the reach of our capabilities further across society.

A few highlights

Leading the way in award success

Zenith's commitment to delivering our strategy is recognised both locally and industry-wide, demonstrated by our most recent award wins: the Yorkshire Post's Large Business of the Year 2023 and Fleet News Leasing Company of the Year 2023: More than 20,000 vehicles. Here's what Fleet News judges had to say:

"Zenith Vehicles has outstanding breadth of reach from retail to business with cars, vans, trucks and plant which has provided a great base from which to grow. It has an excellent internal training scheme and career progression which results in long-serving staff and is a leader in sustainability, employing BEV gurus, joining the Acceleration to Zero coalition, reusing parts and raising a green bond to accelerate the transition to electric."

Read more about how we put this into action on pages 36 to 53.

We're committed to being a sustainable business

We have implemented a climate risk management framework aligned to the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Zenith is doing this ahead of our legislative timeframe defined in the Department for Business, Energy and Industrial Strategy (BEIS) climate-related financial disclosures framework (CFD) as we believe that the framework supports effective climate change governance and risk management.

This helps us to embed sustainability throughout our business, driving performance and increasing business resilience for Zenith and our stakeholders.

Read more about our sustainability initiatives on pages 78 to 83.

We're building a lasting and sustainable diversity and inclusion (D&I) strategy

October 2022 was the first Zenith Inclusion Month where 270 colleagues attended events relating to our six focus groups; gender, age, LGBTQ+, ethnicity, race and religion, disability, and neurodiversity.

Lizzie Gibson, People Manager, Culture and Policy said, "As part of our ongoing People Promise to our colleagues, we're committed to maintaining a thriving culture where our colleagues can be the best version of themselves".

Read more about our People Promise on pages 46 to 53.

West Yorkshire Apprenticeship Awards Mentor of the Year

In three years, Rachael Smith, Team Leader in Group Remarketing, has mentored seven apprentices and had a hugely positive impact on both her mentees and the development of the wider programme. She makes learning fun and has a long-standing track record of motivating apprentices to do the best they can. Her support has helped a number of Zenith's rising stars to gain the knowledge, ability and resilience they need in a fast-moving environment.

Read more about our impacts on society on pages 30 to 33.

Create value for our stakeholders

Business customers · Consumers · People · Investors · The planet · Communities · Supplier partners · Regulators · Industry bodies and government

Read more about our stakeholder value creation on pages 24 to 27.

Stakeholder engagement

Our strategy creates value for all stakeholders

We build long-term environmental, social, ethical and economic sustainability through regular engagement with all of our stakeholders; from customers to our people and communities.

Stakeholder	Why we engage	Examples of how we engage	What we believe matters most to our stakeholders	Examples of how we are responding
Business customers See pages 56 to 65	Understanding our business customers' requirements through regular and relevant engagement and communication is key to providing the products, customer service and support that they need.	· Weekly, monthly or quarterly progress meetings with our business customers · Maintaining dedicated customer relationship and fleet consultancy teams for existing customers · New business team for prospective customers · Customer service teams available 24 hours a day, 365 days a year.	· Reliability · Customer support · Product range · Solution design and lifecycle management · Decarbonisation of vehicles · Information security and data privacy · Selling practices and product definition.	· Zenith hosts internal webinars for our colleagues to support awareness and increase understanding of customer needs, schemes and products · External webinars are delivered to our business customers and their employees to educate them on fleet and salary sacrifice schemes · We provide knowledge regarding vehicle leasing and their specific scheme. This content ranges from written material to videos and are used both internally and externally by our business customers · Zenith has created an extensive carbon footprint calculation and modelling tool and made this available for all business customers · All Corporate division customers have a zero emission/battery electric vehicle (BEV) enabled policy, with vehicles managed on a whole-life cost basis to include the benefit of lower taxation and running costs.
Consumers See pages 66 to 71	To understand our consumer customers' requirements and to provide the products, customer service and support that they need.	· Dedicated customer service team available by phone, email and live chat six days a week · Monitoring and analysis of customer feedback from Trustpilot and net promoter score (NPS) · Established complaints process and root cause analysis · Industry studies and surveys undertaken by Zenith.	· Product quality and safety · Customer support and welfare · Selling practices and product labelling · Communication and problem resolution · Business model resilience · Product design and lifecycle management.	· A colleague training and competency framework to improve customer experience delivery · We have trained 13 vulnerable customer champions to support customer experience and support all customers to receive good outcomes · Fully embedding our response to the Financial Conduct Authority's (FCA) Consumer Duty · Focusing on technology-led improvements to enhance the customer journey · Increased website information on money management and BEV cars to help customers manage their finances and understand new technology · Evaluating new products to meet the needs of more customers.
People See pages 46 to 53	We want our colleagues to feel valued, to bring their true self to work and to fulfil their potential. Our people are the building block of Zenith's success and it is essential that they are engaged and embrace our values.	· Best Companies survey for colleagues to respond anonymously and confidentially · Regular business updates and other internal communications to all colleagues · Employee forum with representation from all parts of Zenith · CEO monthly briefing calls with our senior leaders · Town halls delivered by divisional CEOs to inform and educate colleagues on Zenith's operations and customers · Online Academy for training and requesting development opportunities.	· Creating roles with purpose – productive and scalable · Inspiring leaders · Training, development and career progression · Thriving culture – equity, diversity and inclusion · Health, safety and wellbeing · Fair deal – pay and reward · Best colleague experience – digital and personable · Climate change.	· Following our Best Companies survey, the people team hosted qualitative feedback sessions to understand how we can improve communication and offer better support · The first Zenith Census results to better understand colleague diversity and inclusion and establish targets for improvement · Development of our equity, diversity and inclusion activity, which in the last 12 months has included an Inclusion Month, a leadership education programme, alongside activity programmes from our six diversity and inclusion (D&I) focus groups · We relaunched our wellbeing proposition in January 2023 via the We Care At Zenith brochure, to highlight the support available to colleagues and their families · Market-aligned pay and benefits investment to aid attraction and retention.
Investors See pages 18 to 19	To provide updates on our strategy, performance, and opportunities, to ensure our investors have a good understanding of our position and to enable us access to capital.	· Our institutional equity investor, Bridgepoint, has representation on our Holding Board · Monthly or quarterly briefings on business strategy, activities and performance with employee shareholders · Quarterly results presentations and business updates to our bondholders and banking partners · Regular dialogue with our ratings agencies · Regular dialogue and updates to our fleet funders.	· Business model resilience · Systemic risk management · Management of the legal and regulatory environment · Transparent financial reporting · Critical incident risk management · Decarbonisation of vehicles.	· Zenith has regular and structured dialogue with equity investors, including frequent face-to-face meetings and interactive sessions · We hold quarterly investor/lender communications and conference calls. These cover an update on our business strategy, performance and future outlook · Regular dialogue with all fleet funders. A new head of treasury has been appointed to further develop the relationships with our funders · Our strong relationships with our securitisation partners has enabled us to increase our securitisation facilities by £250m in November 2022.

Stakeholder engagement continued

Stakeholder	Why we engage	Examples of how we engage	What we believe matters most to our stakeholders	Examples of how we are responding
The planet See pages 30 to 35	We, our stakeholders, and all of society is dependent upon a healthy, biodiverse planet. Enabling the decarbonisation of tailpipe emissions and supporting our supply chain partners to reduce their impact will help to preserve the planet, upon which we depend.	· We have an established ESG committee that is responsible for designing and delivering our sustainability strategy · Zenith maintains a climate risk register with clear processes to identify, manage, and control any climate-related risks or opportunities · We support our customers to reduce their fleet carbon emissions.	· Climate change · Local air pollution · Greenhouse gas (GHG) emissions · Deforestation · Biodiversity and land use.	· We have committed to reach net zero carbon emissions by 2050 at the latest through the Science Based Targets initiative (SBTi), covering Scope 1, 2 and 3 emissions · Our sustainability strategy, which will be published in the next 12 months, will cover how we enable our customers to transition their fleets to zero emission vehicles (ZEVs), support the supply chain to net zero emissions, and reduce the impact of our sites · We are signatories to the Yorkshire and Humber Climate Action Pledge (see further information on page 34) · Zenith is implementing a climate risk management framework a year ahead of our regulatory timeframe to enhance our governance and business resilience · Our Leadership Board attended carbon literacy training in March 2023. This session is being extended to our senior leaders over the next 12 months.
Communities See pages 72 to 73	We believe that the long-term success of our business is closely tied to the success of the communities in which we operate. Zenith creates value through sustainable growth and providing employment and other support in the regions where we operate.	· Zenith supports local schools and students with mentoring, interview skills and career days · Our colleagues volunteer and participate in community days led by local charities and councils.	· Quality employment and career opportunities · Climate change · Local air pollution · Biodiversity and land use · Giving back to the community.	· By pursuing our stated aim to reduce tailpipe emissions, we are helping to improve local air quality and reduce air pollution · Through our school partnerships we have supported 12 schools and reached 10,000 students, helping them to develop the skills needed for employment through work experience placements, mock interview practices and Zenith-hosted events · We have partnerships with several charities including Maggies, Macmillan, Muscular Dystrophy, StepChange and BEN – the automotive wellness charity · Zenith colleagues raised £8,000 for Dementia UK by completing the National Three Peaks challenge · Other community activities delivered by Zenith included bank collections, charity clothes collection, and farming at Kirkstall Valley Farm.
Supplier partners See pages 74 to 75	We develop long-term strategic relationships with supplier partners that share our values and enable us to deliver a great customer experience, and who can help us deliver our strategic objectives.	· We have a dedicated procurement team that supports the tender process and our ongoing supply partner relationships · Departmental business owners are assigned for key suppliers · Monthly supplier governance and risk forum responsible for identifying and managing all third-party risk through the completion of pre-contractual due diligence, in-life monitoring, and ongoing risk management · Procurement manager with dedicated key performance indicators (KPIs) to enable the sustainability agenda with our supply chain.	· Supply chain management · Sustainable procurement · Climate change · Product quality and safety.	· Our operations team has launched the Green Parts Initiative to reduce carbon emissions caused during the service, maintenance and repair of our vehicles · We have launched a Supplier Sustainability Survey to understand the sustainability strategies of our key supply chain partners so we can develop shared sustainability outcomes · We will launch our Sustainable Procurement Policy in the next 12 months · Internal legal and procurement teams are responsible for managing supply chain partner contracts to ensure compliance and support business resilience · Focus on long-term partnerships and collaboration with our supplier partners through constant communication and open dialogue.
Regulators See pages 92 to 99	We engage with regulatory consultations and business plans through feedback and comment. This helps to create an open dialogue and ensures that Zenith's voice and interests are heard on the regulatory issues that matter most.	· We actively respond to regulatory consultations and discussion papers · Periodic regulatory returns and submissions via the FCA RegData platform · Active membership of regulatory working groups. · Attendance at FCA training workshops on topics ranging from Consumer Duty to ESG matters · Responding to annual regulatory business plans, specifically the FCA and Information Commissioners Office (ICO).	· Management of the legal and regulatory environments · Business model resilience · Climate change · Selling practices and product labelling · Employee health, safety and wellbeing · Information security and data privacy · Treating customers fairly.	· Senior Manager and Certification regime (SM&CR) compliant under FCA regulations, with change management programmes led by our Compliance Director and Regulatory Programme Director · Delivered a compliance review programme in accordance with the FCA's new Consumer Duty to ensure Zenith continues to deliver good outcomes for customers · We will deliver a continuous improvement programme to our privacy and information security frameworks in the next 12 months · Our compliance monitoring team completes periodic reviews of our regulatory policies and procedures to continually mature and develop our frameworks.
Industry bodies and government See pages 38 to 41	We are active members of industry bodies to ensure that we can influence in the areas that matter most to our business and the leasing industry. This in turn helps to strengthen our direct relationships and engagement with government.	· Active member of trade body working groups and committees · Direct engagement with relevant government departments and MPs on critical issues for the leasing industry · Attendance at roundtable events to share knowledge and represent the needs of the industry · Zenith CEO sits on the Committee of Management for the British Vehicle Rental and Leasing Association (BVRLA).	· Promoting the industry's interests · Decarbonisation of road transport · Product quality and safety · Employee health, safety and wellbeing · Business model resilience · Management of the legal and regulatory environment.	· We participated in two campaigns that impact company car drivers through our membership of the BVRLA to push for regular updates to the advisory electric rate, and the **#SeeTheBenefit** campaign to maintain Benefit-in-Kind (BiK) tax rates beyond 2025. Both campaigns were successful and resulted in government taking action · Zenith attended ten meetings with government departments and MPs. These meetings focused on issues such as the vehicle tax rate structure and electric vehicle charging infrastructure · We responded to seven government consultations either directly or through industry bodies. These included topics such as the reform to the Zero Emissions Vehicle (ZEV) Mandate, HGV levy, 2035 zero emission derogations, and future reforms to the MOT requirements · Supported the publication of industry resources including the BVRLA Fleets in Charge Guide and annual BVRLA Industry Outlook Report.

Key performance indicators

KPIs aligned to our strategic objectives

Our strategic pillars

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

Financial KPIs

GROSS PROFIT

£147.0m

FY23	147.0
FY22	136.2
FY21	103.2

Total income, measured as turnover less cost of sales, which includes the cost of funds on vehicle fleet borrowings and the depreciation cost of vehicles in the funded fleet. Shown before the reassessment of residual values on the funded fleet and exceptional items.

STRATEGIC LINKAGE

EBITDA

£79.4m

FY23	79.4
FY22	74.7
FY21	58.1

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

STRATEGIC LINKAGE

CASH (FREELY AVAILABLE)

£53.9m

FY23	53.9
FY22	50.9
FY21	12.4

Cash that is freely available to the Group. A further £18.3m (2022: £9.3m) of cash is held within Special Purpose Vehicles (SPVs) and not freely available for use by the Group.

STRATEGIC LINKAGE

CASH CONVERSION

87.1%

FY23	87.1%
FY22	67.7%
FY21	117.7%

Adjusted operating cash flow is net cash flow prior to interest service costs (on debt other than fleet funding), tax, and capital expenditure (on items other than vehicle fleet). See Glossary for reconciliation to statutory measures.

STRATEGIC LINKAGE

Non-financial KPIs

TOTAL FLEET

168,292 units

FY23	76,034	92,258
FY22	70,155	91,886
FY21	66,744	80,459

Our total fleet comprises:
- **Funded fleet** – vehicles that we purchase and finance through one of our funding sources, for which we can then provide a variety of in-life and disposal services.
- **Managed fleet** – vehicles that are financed and purchased by our customers rather than us, for which we manage some or all of the vehicles in-life service requirements.

STRATEGIC LINKAGE

DIRECT EMISSIONS – TONNES CO_2 EQUIVALENT PER £1MILLION TURNOVER[1]

4.48 tCO_2e / £1m

FY23	4.48
FY22	7.78

Intensity ratio reduced through a combination of revenue growth, decarbonisation of Zenith's own employee company car fleet and other efficiency programmes.

[1] Scope 1 and Scope 2 emissions from fuel combustion and electricity usage.

STRATEGIC LINKAGE

BATTERY ELECTRIC VEHICLES

32%

FY23	32%
FY22	19%
FY21	9%

Percentage of total funded fleet (excluding commercial vehicles) that are BEV.

STRATEGIC LINKAGE

EMPLOYEE ENGAGEMENT

Rated 'very good' to work for

VERY GOOD TO WORK FOR 2023

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

STRATEGIC LINKAGE

CUSTOMER EXPERIENCE

4.8 / 4.1 stars

Trustpilot

ZenAuto: Trustpilot 4.8 stars	**Corporate: Trustpilot 4.1 stars**	**Commercial: 95% average vehicle uptime**

STRATEGIC LINKAGE

For performance narrative, please refer to CFO's statement on pages 86 to 91. To see how we monitor risks and opportunities, please refer to Our strategy (pages 20 to 23), Risk management (pages 92 to 99), and CFO's statement (pages 86 to 91).

These KPIs are linked to the employee bonus scheme, which is an annual, performance-based scheme. Bonus pay-outs under the scheme are linked to:
- Profit achievement (EBITDA performance versus budget benchmark)
- Personal or team objectives (which vary between the teams, but link back to the remaining strategic objectives).

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

Our sustainability agenda

Our purpose, vision and strategy are sustainability led

We aim to deliver a positive impact on society, creating value for all stakeholders. Our strategy embraces the full range of sustainability challenges, from leading the automotive industry's transition to zero emission vehicles at tailpipe, to building a culture of conscious inclusion, alongside a commitment to transparent corporate governance.

Principles

Sustainability is central to our business strategy

Stakeholder interests shape our sustainability efforts

Enabling the decarbonisation of road transport

Creating an inclusive culture and diversity of thought

Committed to business ethics and corporate transparency

Our sustainability mission

Zenith is embedding sustainability across all areas of the business, enabled by our culture and governance structure, underpinned by carbon literacy training, and implementation of a climate risk management framework. Delivering on our strategy and monitoring progress is overseen by the environmental, social, and governance (ESG) committee ensuring that we take action on the issues that matter most to Zenith and our stakeholders.

The UK transport sector accounted for the largest share of UK greenhouse gas (GHG) emissions by sector at 24% in 2020. Domestic transport[1] alone accounted for 99MtCO_2e, (million tonnes of carbon dioxide equivalent) of which cars, vans and HGVs represented 87MtCO_2e. Zenith has a vital role to play in enabling the decarbonisation of road transport. We are a critical link between manufacturers and end-users; providing expertise, advice, and finance to our customers to accelerate this transition.

Our culture supports colleagues to bring their true selves to work and fulfil their potential. We do this, in part, through our equity, diversity and inclusion (ED&I) strategy, with a commitment to training and development for colleagues. We also create value for the local community through workplace support for local students, volunteering by our colleagues, and charitable giving.

We are enabling positive change across the complex and interrelated challenges facing society. Some of the most significant areas of concern include climate change, social inequality, and unethical corporate practices. These are no longer problems for future generations; they are part of people's lived experience.

Sustainability framework

An effective process and framework enables us to assess sustainability issues, monitor progress, and seek assurance,

Materiality assessment
Stakeholder engagement and internal review to determine our material sustainability issues.

Sustainability strategy
Actions and initiatives to impact the critical sustainability issues identified through our materiality assessment.

ESG
How we monitor, ensure oversight, manage risk, educate, and report on our sustainability strategy.

External assurance
Third-party organisations that provide advice, feedback and assurance on our sustainability strategy.

1 https://www.gov.uk/government/statistics/transport-and-environment-statistics-2022/transport-and-environment-statistics-2022.
2 https://www.ipcc.ch/report/ar6/wg2/downloads/report/IPCC_AR6_WGII_SummaryForPolicymakers.pdf, pg 33.

Zenith materiality matrix

A materiality matrix assesses the importance of different sustainability issues to Zenith on the one hand, and to our stakeholders on the other. Our process is informed by the Sustainability Accounting Standards Board (SASB) materiality finder and includes a process of internal interviews, research and review.

Environment
1. Water management
2. Biodiversity
3. Waste management
4. Deforestation
5. Single-use plastic
6. Energy management
7. GHG emissions
8. Decarbonisation of vehicles
9. Sustainable procurement
10. Climate change

Social capital
11. Customer welfare
12. Access and affordability
13. Selling practices and product labelling
14. Human rights and modern slavery
15. Information security and customer privacy
16. Giving back to the community
17. Product quality and safety

Human capital
18. Employee health, safety and wellbeing
19. Employee engagement
20. Training and development
21. Equity, diversity and inclusion
22. Labour practices

Business model and innovation
23. Product design and lifestyle management
24. Supply chain management
25. Business model resilience

Leadership and governance
26. Systemic risk management
27. Competitive behaviour
28. Financial crime and business ethics
29. Management of the legal and regulatory environment
30. Critical incident risk management
31. Tax strategy

Our sustainability approach

ESG

The materiality matrix helps define our sustainability strategy focus areas. Our ESG committee, with devolved authority from our Leadership Board, is responsible for designing and delivering on our sustainability strategy. ESG committee membership includes key stakeholders from all Zenith divisions and is chaired by our Group Sustainability Manager.

Progress is monitored through KPIs, based upon the World Economic Forum's 'Measuring Stakeholder Capitalism' report. We intend to publish progress against these measures in next year's annual report.

Further information on the actions Zenith is taking to embed sustainability within our business and have a positive impact on society can be found in the strategy in action and corporate governance section of this report.

Environment
In 2022, the intergovernmental Panel on Climate Change (IPCC) reported that we have a 'brief and rapidly closing window of opportunity to secure a liveable and sustainable future for all'.

Zenith is committed to reaching net zero emissions. We are doing this through the leading on decarbonisation of the automotive industry, supply chain collaboration, government influencing to support the transition, and upskilling our colleagues on climate change and the industry.

Social
Society is challenged by deepening issues of social equity, driven by inequalities that include gender, race and the distribution of wealth.

We are determined to play our part in reducing these inequalities and create a culture that is fair and inclusive and encourages colleagues to bring their true selves to work. Actions we have taken include implementing a diversity and inclusion strategy supported by our ED&I focus groups, investment in talent, and an award-winning apprenticeship programme.

Governance
Effective and transparent corporate governance underpins our environmental, social, and financial sustainability.

Accountabilities, responsibilities, and oversight are defined by our Board and committee governance structure. These are supported by our sustainable funding platforms, technology infrastructure capabilities, climate and enterprise risk management frameworks. This approach helps to deliver long-term success.

Our sustainability agenda continued

Embedding environmental responsibility across our business

As the largest independent leasing company operating within the UK's most significant carbon-emitting sector, we recognise the need to embed sustainability within our business, and create a culture where the environment is considered across all levels of the organisation.

CASE STUDY

Zenith become a Carbon Literate Bronze certified organisation

In March 2023, we launched carbon literacy training to provide colleagues with an awareness of the carbon costs and impacts of everyday activities and the ability and motivation to reduce emissions, on an individual, community and organisational basis. The first sessions were delivered by our sustainability manager and learning and development manager to our Leadership Board and ESG committee. These sessions will be extended to our senior leaders in FY24 and all colleagues from April 2024 onwards.

"Carbon literacy training is a key step towards embedding sustainability throughout our business and delivering on our vision to decarbonise the UK vehicle parc by eliminating tailpipe emissions. The sessions are engaging, eye-opening, informative and motivational, I'm excited to roll this out to all our colleagues."

Tim Buchan
Chief Executive Officer

Environmental commitments

EV100

Target – transition 100% of the cars we procure for our customers and our own corporate fleet to EV by 2030.

SBTi

We committed to the SBTi Business Ambition for 1.5 degrees in October 2021. Targets covering our direct emissions, and those of our value chain, will be submitted to SBTi by October 2023 at the latest and validated before the year end.

Carbon neutral

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

Green financing

Green Bond: spend at least an equivalent sum to bond proceeds (£475m) on clean transportation, qualifying investments (e.g. BEVs) over two years.

Part of our green financing framework, aligned to the ICMA Green Bond principles and LMA Green Loan principles.

Yorkshire and Humber Climate Action Pledge

Through the regional Yorkshire and Humber Climate Commission, we have publicly pledged to take action across four key areas:

1. Protect the organisation from climate impacts.
2. Be net zero by 2050.
3. Improve biodiversity in the local area.
4. Promote taking climate action in a fair way that involves all stakeholders.

CASE STUDY

Certified as a carbon neutral organisation

We offset our direct Scope 1, Scope 2 and operational Scope 3 emissions across the Group by supporting carbon reduction, avoidance and sequestering projects. Carbon neutral certification and offsetting is not the whole solution for an environmentally sustainable future. However, it is a vital step, and also aligns with our strategy for having a positive impact on society.

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

By supporting these projects, Zenith helps to support CO_2 reduction, avoidance and sequestering in society, while improving education and providing resources in the developing world to reduce emissions.

The three projects that we have funded this year are:

1. Preventing deforestation – Brazil
2. Biomass cookstoves – Malawi
3. Wind power project – Uruguay.

Emissions table

GHG emissions[1]	2023[3]
Scope 1 (Fuel combustion)	2,070
Scope 2 (Electricity use)	1,013
Scope 3 (Indirect emissions)[2]	214,805
Total emissions	217,888
SECR – Scope 1 and 2 GHG emissions	9,330,700
SECR – Scope 1 and 2 energy consumption and Scope 3[2] business car travel	9,631,484
Total emissions (Scope 1, 2 and 3[2]) tCO_2e per employee	163.09
Direct emissions (Scope 1 and 2) tCO_2e per £1million of turnover	4.48
Total emissions (Scope 1, 2 and 3[2]) tCO_2e per £1million of turnover	316.70

1 Carbon Footprint Ltd have verified and provided limited assurance of our greenhouse gas (GHG) emissions statement.
2 Zenith's Scope 3 emissions disclosure does not include the emissions from the downstream use and maintenance of our funded fleet heavy goods vehicles (HGV) by our customers. We intend to include this in FY24.
3 Our calculation has been made in accordance with the GHG Reporting Protocol – Corporate Standard and using UK Government conversion factors'.

Highlights of the year

Carbon literacy training delivered to the Leadership Board

Three carbon offsetting projects supported

9,733tCO_2e avoided by leasing battery electric vehicles

Net zero targets submitted to SBTi by October 2023

32% of funded fleet is battery electric vehicle

Accelerating towards net zero

In 2021, Zenith made a clear public commitment to achieve net zero greenhouse gas (GHG) emissions by 2050 at the latest.

The graphic below outlines how we are going to achieve our net zero transition. It includes key regulatory changes impacting Zenith and the automotive industry. Our net zero commitment is framed by the Science Based Targets initiative (SBTi) and covers Scopes 1, 2 and 3 GHG emissions.

Scope	Description
Scope 1	Direct emissions from sources that are owned or controlled by Zenith included our sites and our own company car fleet
Scope 2	The emissions from the production of energy we use
Scope 3	Other indirect emissions from our upstream and downstream supply chain

SHORT-TERM (TO 2025)

MEDIUM-TERM (2025-35)

LONG-TERM (2035-50)

Regulatory landscape

2023
FCA expected to publish Policy Statement on Sustainability Disclosure Requirements

2024
UK government's proposed zero emission vehicle mandate expected to come into force

2030
UK Government ban on sales of new petrol and diesel cars and vans less than or equal to 3.5t

2035
UK Government ban on sales of new non-zero emissions vehicles less than or equal to 26t

2040
UK government ban on sales of all new non-zero emission HGVs above 26t

2050
UK committed to be net zero

Zenith commitments

Scope 1
Scope 2
Scope 3

Near-term carbon reduction targets submitted to SBTi by October 2023 at the latest for validation by the year end.

To spend a sum equivalent to the Green Bond proceeds (£475m) on BEVs

EV100 commitment – Zenith's own company car fleet to be BEV-only by 2025

EV100 commitment
Corporate company car funded fleet to be BEV-only by 2030

Net zero Scope 1 and 2 emissions by 2040

Net zero Scope 3 emissions by 2050

Summary actions

SCOPE 1

- Switch our own company car fleet to BEV only by 2025
- Deliver carbon literacy training to all colleagues
- Continue campaigning through industry bodies, working groups and government engagement for policies that support decarbonisation of the automotive industry.

SCOPE 2

- Deliver a net zero property estate.

SCOPE 3

- Support customers to reduce emissions from their fleets and transition to BEV
- Transition 100% of the vehicles we procure for our customers to BEV by 2030 or sooner, dependent on the rate of change experienced by our customers, facilitated by our advice and support
- Support supply chain in transition to net zero
- Wherever possible, repair and maintain vehicles using recycled parts rather than new
- Partner with a supplier engagement provider, such as CDP or EcoVadis
- Deliver carbon literacy training to key partners and stakeholders
- Continue campaigning through industry bodies, working groups and Government engagement for policies that support decarbonisation of the automotive industry.

STRATEGY IN ACTION

Strategy in action

Delivering our decarbonisation vision

Driving a sustainable future with a strategy to adopt zero emission vehicles

Zenith is prioritising the transition to sustainable vehicle solutions, having embraced the UK's Transport Decarbonisation Plan. As an early industry leader, our purpose, vision and strategy recognise the role we play in reducing carbon emissions. We are focused on supporting customers on their net zero journey through the adoption of zero emission vehicles (ZEVs).

Our approach is driven by the knowledge that the transport industry accounts for the largest share of UK greenhouse gas emissions by sector. Through our vision to decarbonise the UK vehicle parc, we are now at the forefront of enabling positive change within our industry.

Our industry is on a journey

The transport landscape will change dramatically over the next two decades as we transition away from diesel and petrol fuels. Consequently, there is serious momentum behind the transition to ZEVs that emit no CO_2 at the exhaust.

Our leasing model is driving the take up of battery electric vehicles (BEVs) as the most cost-effective way for car drivers to go electric. In the commercial sector, which is in the early stages of its decarbonisation journey, we are supporting clients as they plan their routes to ZEV and build long-term fleet strategies.

The Zenith response

We are taking a holistic approach, with an agenda that embraces the entire value chain, from enabling clients to adopt ZEV fleets, to providing insights that drive take-up, and embedding decarbonisation opportunities across the entire vehicle lifecycle.

BEVS % OF SALARY SACRIFICE ORDERS

87%

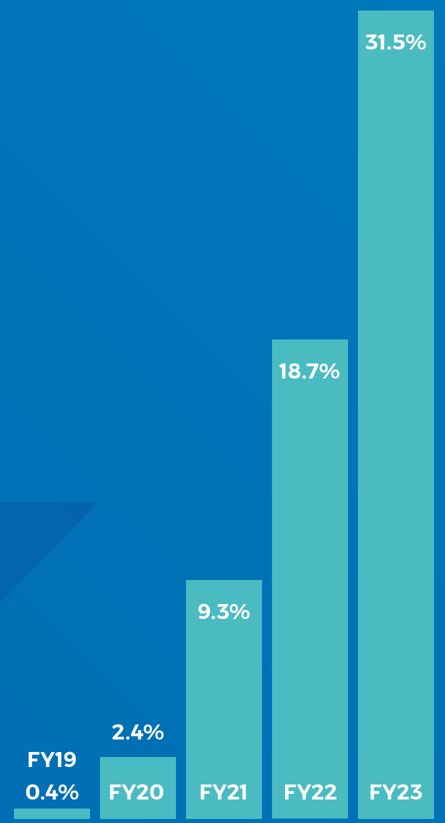
GREEN APPROACH TO MAINTENANCE SAVING

356

TONNES CO_2

BEVS AS % OF THE TOTAL CORPORATE AND CONSUMER FUNDED FLEET

31.5%



Our decarbonisation agenda

Shaping the landscape

Working with government and industry to share knowledge and shape public policy in support of the transport decarbonisation agenda.

- Influencing on issues including vehicle tax structure and battery electric vehicle (BEV) charging infrastructure, attending ten governmental and MP meetings in the last year
- Success achieved on two key campaigns; to keep Benefit-in-Kind (BiK) tax rates for BEVs low until at least 2028 and to secure regular updates to the Advisory Electric Rate paid to BEV drivers for business travel
- Responded to key government consultations to inform future policy on areas such as the Zero Emissions Vehicle Mandate.

Empowering customers' net zero journey

From procurement strategy to policy design Zenith supports customers to transition to ZEVs and achieve net zero.

- Our ambitions are mirrored by our customers and we provide bespoke policy and vehicle selection advice, understanding that for each vehicle type and use case, the path to decarbonisation will be varied
- Through salary sacrifice solutions Zenith enables customers to offer affordable BEVs to all employees
- The consultancy team demonstrates the benefits of EV transition; in the last year, 71% of consultancy team projects included recommendations that would increase BEV uptake.

Thinking beyond vehicle choice

Emissions savings are more than the vehicle choice. Zenith is achieving carbon reductions across in-life operation initiatives.

- Achieving carbon emissions savings through maintenance initiatives, including the avoidance of unnecessary work, repairing over replacing, adopting used parts for trailer repairs and refurbishment
- Reducing travel requirements through the increased use of mobile service technicians reducing the need for higher emission workshop visits and utilising more double decker trailers to increase capacity and reduce journey volume
- A partnership with NG Bailey is enabling us to offer a full infrastructure solution to site locations and support customers' BEV transition.

Evolving industry thinking

Zenith is leading the way with insights that enable change.

- Commissioned the EVXperience, the largest ever survey of UK electric car drivers to better understand what it really means to drive a BEV
- The report findings, based on responses from over 3,100 Zenith BEV drivers, are challenging some of the myths made about driving a BEV.

Delivering our decarbonisation vision continued

CASE STUDY

The Zenith EVXperience report

Zenith commissioned the EVXperience to better understand what it means to drive a BEV. The report, which surveyed drivers who have BEVs through our fleet and salary sacrifice programmes, or as a ZenAuto customer, found that drivers are overwhelmingly satisfied with their BEV experience across six Key Experience Indicators (KEIs).

Across the KEIs – range, driving experience, safety and reliability, experience of charging, cost of running and the vehicle's mobile app – BEV drivers are more satisfied than those driving petrol or diesel vehicles on every single metric.

We are using the insights to better advise fleet clients on their BEV transition strategies. Our report data has already been used to support government influencing on BiK rates for BEV cars. Regular reports will be published over the next seven years as an ongoing barometer of the lived BEV experience as the industry progresses towards 2030 targets.

STRATEGIC LINK

The five best things about the BEV experience

1. Low cost as BiK[1]
   Low running costs[2]
2. Better for the environment
3. Low charging costs
4. Better driving experience
5. Options to charge at home

86%

of BEV drivers would stick with a BEV over a petrol or diesel vehicle if they had to make the decision again

"What struck me looking at the findings of this report was how much we enjoy driving BEVs and how unlikely drivers are to switch back to fossil-fuelled petrol and diesel engines."

Tim Buchan
Chief Executive Officer

1 Company car / salary sacrifice drivers.
2 Personal drivers.

CASE STUDY

#SeeTheBenefit campaign

BiK tax rates for BEVs have been transformational in making them an affordable choice for company car and salary sacrifice drivers. To ensure BEVs continue to be financially attractive, we have campaigned to maintain electric car BiK rates at appropriate levels, helping shape public policy and create the right environment to deliver on our vision.

- In the lead up to the autumn budget, Zenith played a leading role in industry body British Vehicle and Rental Lease Association (BVRLA) **#SeeTheBenefit** campaign, to influence company car BiK tax policy
- Working alongside the BVRLA, Zenith engaged customers, asking for them to show their support by writing to their MP. As a direct result of the campaign, over 1,000 letters were sent to MPs
- Zenith co-sponsored and took part in a Houses of Parliament event, which saw over 30 MPs coming to find out more about the importance of salary sacrifice and BiK in the transition to BEVs. Many MPs signed a pledge to support the campaign
- **#SeeTheBenefit** was a great success; the Chancellor listened, keeping BEV BiK rates at appropriate low levels until 2028, providing the certainty drivers and customers need to continue their BEV transition.

STRATEGIC LINK

CASE STUDY

Building zero emission fleets

Zenith is working in partnership with NG Bailey, experts in the field of BEV charging infrastructure. to provide an end-to-end proposition for the electrification of complex depot-based fleets. Together we provide a turnkey solution for the electrification of fleets:

- Zenith: vehicle and fleet management solutions, to ensure all fit-for-purpose vehicles dovetail with the charging infrastructure requirements
- NG Bailey: BEV infrastructure, engineering, installation and ongoing maintenance of charging infrastructure
- Both are committed to working with customers to deliver a roadmap that will set out the journey to a zero emissions fleet.

STRATEGIC LINK

Technology

Digitising for growth

Our ongoing development and investment in our market-leading single asset and contract management platform is transforming our business, and how we engage with our customers.

"No one else in our sector can offer a digital experience that even comes close. Our new portals will enable a simple, frictionless journey that makes it a pleasure to browse, shop, quote and then order a brand-new car."

Ian Gibson
Chief Information Officer

As a consequence of both organic and acquisitive growth, we have accumulated a variety of legacy technology platforms and systems. Recognising that this provided an opportunity to enhance the customer experience, in 2020 we embarked on a technology-enabled transformation to ensure our customers' engagement with us was second to none.

Since starting our transformation, we continue to consolidate our system architecture and built a customised proprietary digital solution around a core market-leading single asset and contract management platform. Being cloud hosting centric, it not only generates efficiencies, but enables greater agility. We are now rolling out our new best-in-class, digital/mobile-first customer portals that re-set the standard both in terms of analytics and decision-making capabilities and have been future-proofed to scale, at ease, to over one million vehicles.

These portals are already delivering significant results in ZenAuto – within our Consumer division. The rollout continues across the Group with our Commercial division migration at 80% and deployment in Corporate has started and will continue during FY24.

We are approximately half way through our transformation. Our focus next year is on a data and management information (MI) modernisation strategy, which will deliver differentiating insight and analytics for the benefit of all our stakeholders to further enhance their experience.

Class leading customer portals

Our four primary technology pillars

Digital and mobile first
Improving engagement via best-in-class customer portals.

One asset and contract management system
Ongoing technological consolidation and development to constantly enhance customer portals.

Big data
Generate sharper analytics and customer and market intelligence to unlock additional revenue opportunities.

Cloud hosting
Facilitates scale, resilience and agility as well as enhanced performance and security.

Our current transformation initiatives

What	Why	Impact	Future focus
Digital and mobile first	Improve customer interaction through a modern digital experience.	More responsive and flexible experience with customers empowered to self-serve.	Further enhancement to enable seamless communication across devices.
One asset/ contract manage system	Greater rationalisation enables cost-effective scalability.	Improved efficiency enabling better management and support, both internally and for customers.	Complete the integration of the Commercial division and rollout to the Corporate division.
Big data	We can leverage our single asset management platform further to enhance our MI and analytical capability.	Enhanced customer and Zenith analytics with the potential to identify new revenue streams.	Implementation of the Data and MI strategy and further development of predictive analytics for fleet optimisation.
Cloud hosting	Cost effective ability to scale thereby reducing reliance on data centres, and our footprint.	Increased resiliency and scalability to support our growth together with improved performance.	Optimise to deliver more flexibility at lower cost.

Our ultimate objectives

Platform of choice
Flexibility to be able to adapt to changing market conditions using existing architecture that streams business changes in real time.

Single asset base
Consolidation into a single asset and contract management system provides the flexibility and scalability to manage short-term offers for our customers.

Driven by data
Our next generation data platform will provide valuable insights for us and our customers, ultimately unlocking machine learning and AI to identify cost savings for our customers.

Cloud native
Exploit cloud hosting capabilities to maximise flexibility and rapidly scale to meet new and changing demands.

Supporting our customers

Delivering service improvements

The service industry has been through a major period of disruption as we continue to feel the hangover impacts of the pandemic, alongside the economic slowdown, high inflation, the labour market challenges and the ongoing war in Ukraine.

These have been further compounded in the leasing sector due to unprecedented supply chain issues affecting the quality of service across our industry. Zenith places our customers and the quality of our service at the heart of our business.

Seeing this tested so rigorously over the reporting period, resulted in us initiating a series of improvement programmes to respond to the challenges and adapt to our changing customer requirements.

These projects focused on the foundations of 'Our People, Our Processes and Our Technology' – enabling us to 'Care for our Customers'. The initiatives have delivered measurable improvements in customer satisfaction and are keeping Zenith the leaders of service in our sector.

CASE STUDY LINKAGE

- People
- Technology
- Process

A proactive process change

Responding to supply chain and labour market challenges

With increasing case volumes in our Corporate division due to supply chain challenges, we reviewed our processes to provide a bespoke service solution to support our customers.

By improving communication, flexibility and support with vehicle lease options, we saw month-on-month improvements in customer satisfaction and reduced complaint volumes. We also created capacity for further value added service through various improvement projects including 11 robotic process automation (RPAs) enhancements.

Month-on-month improvements in service culminating in:

- Trustpilot score of 4.1
- Overall case reduction of 7%
- Complaints versus contact rate of 0.5%.

CUSTOMER SATISFACTION SCORE

70%

A new and innovative organisational design

Responding to supply chain and labour market challenges

We implemented a new structure design within our Corporate division, which allows us to deliver a fully account managed service. This allows us to:

- Support our customers with buying and renewal decisions
- Manage drivers through the ordering process to delivery of new vehicles
- Proactively communicate with drivers to keep them informed with progress
- Support during accident or breakdown situations and ensure customers are kept mobile.

We provide a personalised service, giving expert advice and support from quoting to renewing and all the services needed throughout the term of the lease.

The customer will have a dedicated team that understands their needs. We will transition to the new way of working over the coming months.

Using automation to improve efficiency and customer experience

Responding to changing customer requirements

We're constantly looking at ways to make the process of getting and running a car easier for our customers and this year, we've made some radical improvements:

- With live delivery tracking via SMS, customers can now see exactly when their car is arriving
- Customers no longer need to contact us to make any initial payments – we take it directly from their bank account.

Anyone with our maintenance package can choose to book their service and MOT via an online booking portal at any time of day.

Reducing downtime and costs for our Commercial customer's fleet

Responding to the economic pressures facing our customers

Sunbelt is the UK's largest rental equipment provider, with around 30,000 customers across a diverse range of sectors. Therefore, managing the downtime of Sunbelt Rentals' commercially critical fleet is of paramount importance.

Working in collaboration, we identified both downtime and cost savings achievable within our supply chain and through our own workshops and mobile technicians, to achieve consistent fleet availability above 95%.

"Zenith has been instrumental in providing a simple and effective solution to tackle vehicle downtime."

Mathew Smith
National Fleet Manager, Sunbelt Rentals

REDUCTION IN VEHICLES-OFF-ROAD

25%

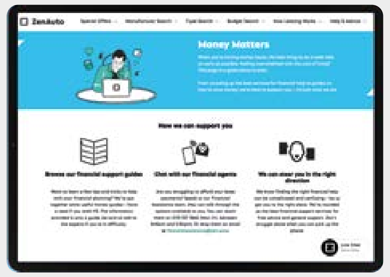
Caring for our customers with financial signposting and support

Responding to the rising cost of living

It's no secret that we're living through challenging times, and we want our ZenAuto customers to know we are here for them as they adjust to the rising cost of living. In January, we launched the Money Matters Hub – our new online resource for consumers that are struggling financially or are just looking for some helpful tips on how to make the most of their money. The Hub is designed to:

- Signpost the agencies that can provide support as well as our own financial assistance team
- Provide advice on budgeting, the cost of leasing a car and some interesting blog posts
- Cover themes driven by the questions we're regularly asked by our customers.

We've also invested in training to upskill our customer-facing colleagues to better support people who may be going through a difficult period in their lives. Working with Money Advice Trust, StepChange and The Samaritans, we've covered personal resilience, listening skills and the cost of living to give our customer services team a good understanding of how to help vulnerable customers.



Utilising technology to enhance compliance and productivity at G4S

Responding to changing customer requirements

G4S and Zenith carried out a pilot of our newly developed vehicle inspection tool within the Zenith Commercial app at their depot in Bloxwich. The tool allows each driver to complete their daily walkaround check and record any defects along with photos, which is submitted directly into Zenith's systems. Based on the defects logged, the app advises the driver whether the vehicle is drivable or should be taken off the road.

This paperless solution assists with DVSA compliance, providing G4S with full visibility of who completed the check with start and end times. It also reduces administration time, prioritises and speeds up repair, reducing vehicle downtime. Following this successful pilot, this app is now being rolled out across all G4S depots nationwide.

"The Zenith Commercial app has helped us simplify an important part of fleet compliance, allowing us an immediate view of when driver checks have been carried out and in turn helps support us in keeping our drivers safe."

Dave Armitage
Head of Fleet Services, G4S

People

Delivering on our People Promise

Following the launch of our 'People Promise' in 2022, one year in to our five year plan, we have driven activity across all focus areas, delivering measurable results despite a challenging external labour market.

Stuart Price
Chief People Officer

2022/23 was one of the most challenging labour market environments we have operated in. We've experienced the highest rates of inflation since 1981, average pay growth in the private sector peaked at 7.3%, UK vacancies were at an all-time high of 1.3 million and unemployment dropped to its lowest levels since 1974. This resulted in a surge in talent mobility with almost 20% of working people looking to move jobs in 2022.

Fortunately, we launched our People Promise – the strategy to support our future success and one year in, strong progress has been made across all focus areas. We have retained very good levels of colleague engagement, obtaining a 1-star Best Companies accreditation, being only 1.5% away from 2-star. Our 2022 score now includes the acquired Cartwright business, which we bought out of administration in 2020. Today, this represents 21% of our total headcount, and we have delivered an increase of 11% in their engagement levels over the two-years since acquisition.

We have reduced our employee turnover by 2% versus pre-pandemic levels and 1% year-on-year, demonstrating stronger colleague retention and stability despite the transience in the labour market. Our business growth has seen us create 170 new roles across our communities, including our largest apprenticeship cohort to date, 37% of which is made up of our new Maintenance Technician Scheme across our Commercial workshops.

We are particularly proud of the progress we have made in our 'inclusion everywhere' focus area and the diverse talent we have recruited and promoted across the Group. Gender representation in our non-statutory director population now sees 42% female representation versus 39% a year ago, with 54% of all internal promotions going to women.

This is making us more representative of the customers and communities we serve and is enhancing our culture and performance. It is also paving the way for future Leadership Board succession from a more diverse talent pool. We are delighted to have closed our mean gender pay gap by a further 6% across the total Zenith Group, bringing it to 15% overall, one of the strongest performers in our industry – and we will not stop until it is eradicated completely.

With April 2023 pay inflation at 6.9% (private sector), we have driven efficiencies in our workforce that have enabled us to increase base pay by 5.2%, as well as giving all colleagues a 2% one-off cost-of-living payment in November (salaried) and January (hourly). Part of our investment was through a competitive pay award, with the remainder being targeted at colleagues requiring realignment with the labour market to ensure we continue to offer a competitive salary.

We have also enhanced the colleague experience with changes to our people systems, implementing a new digital recruitment and onboarding platform alongside self-service capability and system integrations – all improving the colleague experience and our operational efficiency.

As we progress through 2023, we will retain the achievements from last year with a renewed focus on redesigning the business as we implement our single asset management platform (Miles), investing in the personal growth of our people through enhancing leadership capability, and delivering on the next phase of our people system optimisation programme.

I would personally like to thank every one of our colleagues and leaders for embracing our people plan and for their continued efforts in supporting each other and all of our valued customers.

Retained very good levels of colleague engagement – 'Very good' to work for (1.5% away from 2 stars)

VERY GOOD TO WORK FOR 2023

1% reduction in colleague turnover year-on-year despite challenging labour market

1%

Highlights of FY23

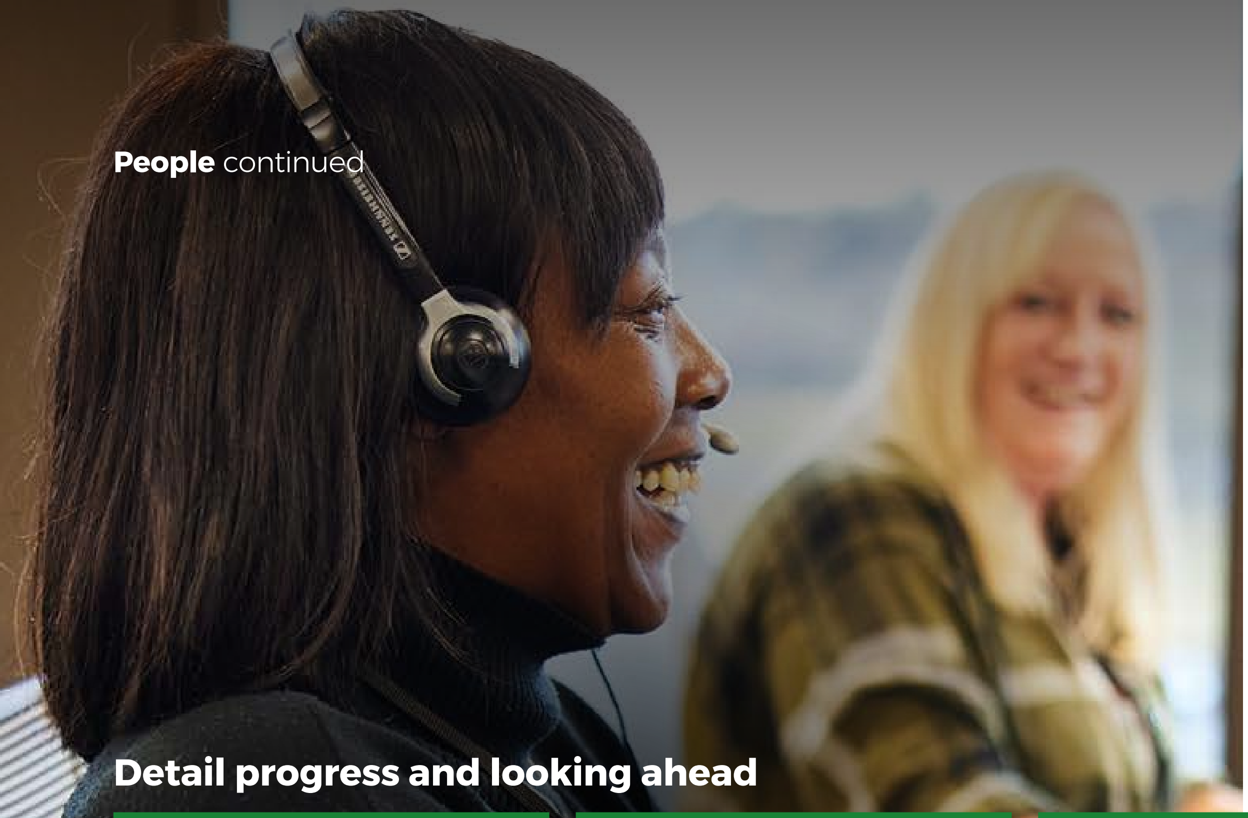
- **Appointment of key strategic capabilities**
- **26%+ increase in training solutions year-on-year**
- **3% colleagues undertaking apprenticeships**
- **70% completion of Zenith Census**
- **203 leaders educated in building a culture of conscious inclusion**
- **All colleagues paid the real Living Wage or above[1]**
- **5.2% year on year base pay increase**
- **2% cost-of-living payment for all colleagues**
- **Digitisation of colleague experience continues to progress**

[1] Not including apprentices and student placements.

Our People Promise – focus areas

Designed for growth	Brilliant teams	Thriving culture
Ready to scale / Roles with purpose	Inspiring leaders / Best version of you	Inclusion everywhere / Caring for each other
Fair deal for all		
Exceptional colleague experience		

Read more about our People Promise at **www.zenith.co.uk/who-we-are/our-people-strategy**



People continued

Detail progress and looking ahead

Designed for growth

PROGRESS FY23

- Appointed key transformation capability to enable business readiness of technology transformation programme (see page 42)
- Appointed key strategic leadership capability in Group finance, Corporate finance, investor relations, finance transformation, digital marketing, technology, operational transformation, marketing and large-scale customer service operations.

LOOKING AHEAD FY24

- Group-wide implementation of transformation programme and benefits realisation (see page 42).

Brilliant teams

PROGRESS FY23

- 26%+ increase in training solutions with year-on-year training hours increase of 20%
- 3% of Zenith's workforce on an apprenticeship
- New apprenticeship scheme launched in maintenance operations workshops
- West Yorkshire Apprenticeship Award – winner, Mentor of the Year.

LOOKING AHEAD FY24

- Leadership standards framework to support performance and career progression
- New approach to performance and development conversations called 'MyGPS'
- Leadership induction
- Strengthening recruitment capability in leadership to aid selection and retention.

Thriving culture

PROGRESS FY23

- Launched Zenith Census with 70% completion achieved
- Inclusion focus group activity
- Equity, diversity and inclusion (ED&I) education programme for 203 leaders
- Inclusion Month held in October (see page 52 for details)
- Relaunched wellbeing proposition in response to economic challenges, including new strategic partnerships with BEN (automotive wellness charity) and StepChange (financial advice and support charity).

LOOKING AHEAD FY24

- Publish census and set targets for future improvement
- Inclusion education programme continued – 100+ more leaders
- Inclusion focus group plans to enhance awareness, inclusion, and diversity further.

Fair deal for all

PROGRESS FY23

- 5.2% year on year base pay increase
- 2% one-off cost-of-living payment for all colleagues
- Real Living Wage for all colleagues (not including apprentices and student placements)
- Apprentices paid 77% of real Living Wage
- Refreshed benefits platform with enhanced offer and experience.

LOOKING AHEAD FY24

- Total reward statements
- Retain real Living Wage position.

Exceptional colleague experience

PROGRESS FY23

- New 'MyJobs' platform to digitise candidate recruitment and onboarding with reporting suite
- System enhancements including new organisational hierarchy, reporting suite, increased self-service, system integration.

LOOKING AHEAD FY24

- Continued digitisation of people processes
- Digital communication platform and intranet
- Increase in BEV charging investment across sites for colleagues and customers.

A spotlight on our equity, diversity and inclusion progress

Valuing difference and reflecting the customers and communities we serve

At the heart of Zenith is our thriving culture. We want to create an environment where every colleague can be the best version of themselves, and our ED&I strategy is a key driver of this.

Our sector

Our industry has traditionally lacked diversity. In March 2022, a report by the Institute of the Motor Industry (IMI) stated the proportion of British workers from underrepresented ethnic groups is as little as 7% in both automotive retail and maintenance and repair. This presents Zenith with a unique opportunity to stand out from the crowd and lead ED&I in the sector.

Zenith – thriving culture, inclusion everywhere

One of the five pillars of our People Promise is 'thriving culture – inclusion everywhere', and that is what we mean; every team, every level, everywhere. Since its launch in 2022, our ED&I strategy has a clear mission – to value the difference in our colleagues and to reflect the customers and communities we serve.

Reflecting on an incredible year

We have made significant progress in our first year with some major initiatives to start the conversation, raise awareness and start to make a measurable difference to the diversity of our teams.

Our highlights:

The Zenith Census

Inclusion education workshops

Inclusion Month

Focus groups

You can read more about these in our case studies on pages 50 to 53.

Read more about our mission and approach at **www.zenith.co.uk/life-at-zenith/diversity-inclusion**

People continued
A spotlight on our equity, diversity and inclusion continued

The Zenith Census

We launched our Zenith Census in April 2022 with the aim of better understanding the diversity of our colleagues. We mirrored as far as possible those groups captured by the Office for National Statistics (ONS) in the 2021 latest UK census. This presents us with a measurable opportunity to see how closely we reflect the communities we serve today, and where the opportunities are for us to better represent the customers and communities we serve in the future.

In our first year, not only have 70% of colleagues shared their data with us, but we have already seen measurable progress in a number of our focus areas. This data is ensuring we are honest about where we are today, what we have to do differently, and setting ambitious targets for the future. Here is a summary of our key achievements and key performance indicators (KPIs).

70% of colleagues shared their diversity data with us in the first year.

More colleagues share their religion, gender identity and sexual orientation data with us than in the UK census, more than double in every category.

Measurable progress in gender, ethnicity, sexual orientation and age.

Zenith Census summary FY23

Highlights:

38% of colleagues are women

We have increased the number of colleagues from **underrepresented ethnic groups by 2% year-on-year**

6.5% of colleagues are part of the LGBTQIA+ community versus 3% in the UK

4.5% of colleagues identify as neurodivergent

16% of colleagues have a health condition lasting more than 12 months – broadly in line with the UK at 17.8%

We have increased the number of **under 24s and over 60s by 1% year-on-year in each group**

Opportunities going forward:

While the number of colleagues from **underrepresented ethnic groups** has improved 2%, it is **8% behind the UK** making ethnicity our biggest diversity opportunity

Representation in national identity, sexual orientation, neurodiversity, long-term health conditions and those aged under 40 is **lower in leadership groups** demonstrating a clear opportunity to target progression in these underrepresented groups

The following summarises the Zenith Census at 31 March 2023. It details the representation measures across our focus areas at a Zenith Group and senior leadership level. We compare our focus areas to the UK census where comparable data is available, and review the year-on-year movement versus 31 March 2022. We will analyse the census annually.

	Zenith	Leadership Board	Directors (Non-statutory)	Heads of department	UK census
Gender					
Female	**38%**	0%	42%	38%	51%
Male	**62%**	100%	58%	62%	49%
Change (YOY)	**0%**	0%	+14%	-1%	-10% vs UK
Ethnicity					
Underrepresented ethnic groups	**11%**	0%	0%	8%	18%
White	**87%**	100%	95%	88%	82%
Prefer not to say	**2%**	0%	5%	4%	0%
Change (YOY)	**+2%**	0%	0%	+4%	-7% vs UK
Religion					
Declared religion	**43%**	64%	57%	42%	57%
No religion	**54%**	36%	43%	53%	37%
Prefer not to say	**3%**	0%	0%	5%	6%
Change (YOY)	**0%**	0%	+10%	+1%	-14% vs UK
Sexual orientation					
Not straight or heterosexual	**7%**	9%	0%	0%	3%
Straight or heterosexual	**91%**	91%	100%	98%	90%
Prefer not to say	**2%**	0%	0%	2%	7%
Change (YOY)	**+2%**	0%	0%	0%	-14% vs UK
Health conditions lasting more than 12 months					
Health condition	**16%**	0%	5%	10%	18%
No health condition	**80%**	100%	95%	88%	82%
Prefer not to say	**4%**	0%	0%	2%	0%
Change (YOY)	**-1%**	0%	-2%	0%	-14% vs UK
Age					
Under 24	**12% (+1% YOY)**	0%	0%	0%	–
25-39	**44% (-1% YOY)**	9%	5%	15%	–
40-59	**39% (-1% YOY)**	82%	90%	81%	–
Over 60	**6% (+1% YOY)**	9%	5%	4%	–
Neurodiversity					
Neurodiverse	**4.5%**	–	–	–	–
Neurotypical	**95.5%**	–	–	–	–

Read our full Census report including further detail, analysis, future targets and focus areas on our website.

Future focus:

We are confident that our existing plans will see us achieve our long-term ED&I goals across the focus areas. That said, the Zenith Census has shone a light on our need to do far more to support the progression of people from underrepresented ethnic groups and we will be considering a more challenging programme that step changes this throughout FY24 and beyond.

"We have a great team dynamic, and the businesses commitment to diversity and inclusion is a big step in the right direction."

Zenith colleague
Best Companies engagement survey November 2022

People continued
A spotlight on our inclusion progress continued

CASE STUDY
Inclusion education workshops

In 2022 we launched an education programme based on unconscious bias, starting with our Leadership Board, our People team and focus group chairs. This workshop was created by People Deliver Projects, an experiential training and coaching provider, and supported by Natasha Landers, a specialist consultant in unconscious bias who has worked closely with Zenith and a number of global organisations committed to evolving their ED&I strategies.

MANAGERS THAT HAVE ATTENDED THE WORKSHOP TO DATE
203

TRAINING HOURS INVESTED IN HOW TO BUILD A CULTURE OF CONSCIOUS INCLUSION
711

"Before this session, I thought I was pretty well informed on unconscious bias due to my role, but it wasn't until I saw it played out and heard the views and suggestions from people I don't usually engage with, that I realised how much more room there is for discussion."

Workshop delegate

"Zenith's approach to putting all its leaders and people managers through The Conscious Inclusion events has demonstrated how important equity, diversity and inclusion is to them in supporting a diverse workforce and customer base. In my experience having the buy in and advocacy of leaders in companies means that sustainable, impactful and real changes can be made to diverse groups."

Natasha Landers

CASE STUDY
Inclusion Month

In October 2022, we held Inclusion Month, our big bang approach to all things inclusion. It was an entire month of events designed to encourage conversation and acknowledge the value of difference. We welcomed renowned guest speakers from all walks of life, held groundbreaking panel discussions to raise awareness of important topics, and concluded the month with a live Q&A feedback session with our Chief People Officer.

"Excellent programme initiated for diversity and inclusion and it is amazing to see how our fantastic colleagues are so candid about their experiences. This is a massive milestone for Zenith and we smashed it!"

Zenith colleague
Best Companies engagement survey November 2022

"The business is always trying to think of new ways to include people now that we have grown into such a large employer. The Inclusion Month was a great example of this."

Zenith colleague
Best Companies engagement survey November 2022

Watch our summary video of the Inclusion Month at **www.zenith.co.uk/life-at-zenith/diversity-inclusion/diversity-and-inclusion-month/**

Colleague panel discussions on:

- Men's mental health
- Work through the eyes of young people
- Women in leadership
- Neurodiversity in work.

One month after Inclusion Month, our November engagement survey showed a 1%+ increase in wellbeing engagement post event

CASE STUDY
Focus groups

2022 marked the launch of our Zenith focus groups. These colleague-led, Board-sponsored groups were established with elected chairs to focus on six areas: race, religion and ethnicity, disability (Zenability), neurodiversity, age, gender and LGBTQIA+ (Pride). Over 50 colleagues now support these groups from across Zenith, all with a single goal – to value difference in our colleagues and to help us better represent the customers and communities we serve.

Since launching these groups, we have seen some significant changes and initiatives implemented, as well as a number of new strategic partnerships to help bring skills, knowledge and experience to support us on our journey.

Focus group achievements

All transgender prescriptions now paid by Zenith

All menopause-related prescriptions paid by Zenith

First Pride brunch held at headquarters

Apprenticeship panel discussion: understanding the next generation of talent

Christian Christmas service held at headquarters

Disability confident Level 1 achieved

Lighthouse Futures Trust Partnership

International Women's Day celebration

BUSINESS HIGHLIGHTS

Business highlights

Corporate

Record order book, strong fleet growth

Our Corporate division provides company cars, salary sacrifice schemes, and short-term rentals for many of the UK's leading companies. With nearly 54,000 vehicles on the road, the majority of which are Zenith-funded, we offer customers a full range of services from fleet management to in-life operations, accident management and customer support.

Our funded fleet grew steadily throughout the year, and increased by 8% from the previous year. 60% of our order bank relates to new contracts (as opposed to renewals) which have been secured as the adoption of salary sacrifice continues to evolve.

We secured 43 significant new customers, with 73% of these relating to salary sacrifice which have opened our schemes to an incremental 125,000 employees. Importantly, we continue to retain our relationship with our existing customers, with more than 30 recontracting beyond 2026.

"Our new business team delivered a record performance, with an increase of 55% new business wins over the previous year."

Ian Hughes
CEO – Zenith Corporate Division

FUNDED FLEET GROWTH (YOY)

8%[1]

BATTERY ELECTRIC VEHICLE (BEV) FLEET GROWTH (YOY)

93%[1]

BEV AS % OF FUNDED FLEET

33%[1]

BEV ORDERS

1 in 2[1]

TRUSTPILOT SCORE

4.1 stars

Trustpilot

[1] Includes both cars and vans in the Corporate fleet.

TOTAL FLEET SPLIT BY FUNDED AND MANAGED

	Funded fleet	Managed fleet	Total
FY23	47,259	6,258	53,517
FY22	43,730	8,472	52,202
FY21	44,863	7,955	52,818

FY23 Highlights

- **Retained all four of the top six customer contracts up for renewal, along with many other significant customers**
- **Salary sacrifice segment of our live fleet grew by 30% versus previous year**
- **Record delivery months have led to strong fleet growth**
- **Through the #SeeTheBenefit campaign, we played a significant part in government influencing to secure the long-term stability of Benefit-in-Kind (BiK) rates**
- **Embarked upon the transformation and delivery of a new salary sacrifice web platform, which has seen it's first customer launched in June 2023**

Future focus

- **Continuing to lead the transition of our customers' fleets to BEV**
- **Providing salary sacrifice solutions to our existing customers' employee benefits platforms**
- **Embedding our new customer service model, and delivering a world-class level of service**
- **Launching our new web quoting platform and migrating customers onto it**
- **Continuing to work collaboratively with our customers to develop 'van plans' for the LCV transition to electric**

Serving the corporate customers of tomorrow

For over 30 years we have been providing outsourced end-to-end fleet management services to companies all over the UK. Our Corporate division focuses on the delivery of bespoke services and processes to ensure that customers receive the right blend of vehicles, funding, advice and exceptional service. We have an enviable blue-chip client list, consisting of company car and LCV schemes, alongside salary sacrifice schemes, principally on a fully outsourced and sole supply basis.

Unlike our competitors, we manage all core services in-house as we feel this is the only way to truly manage our customer costs and experience. Our services include the provision of vehicle funding, vehicle maintenance, fleet management, accident management, business process outsourcing, short-term hire and fleet consultancy, with bespoke packages tailored to individual customer requirements. Each of our customers have their own, experienced point of contact managing all things fleet on their behalf. We have recently redesigned our customer services model and implemented our new hub strategy, which has increased customer satisfaction scores to 70% and Trustpilot scores for the division to 4.1 stars.

Fleet strategy is pivotal within the Corporate division, and we support customers to unlock their fleet's potential by providing detailed consultancy services. Our analysis offers a clear picture of customers' fleets, vehicle utilisation, uptime and performance, which act as a basis to formulate effective improvement plans. We are also leading the way with the sustainability agenda, and actively support the goal of ending the sale of new petrol and diesel cars and vans by 2030. Our employees have been involved in influencing activities in Parliament to assist the transition to BEVs, and we boast impressive sustainability credentials including being an accredited carbon neutral business, a member of the EV100, and committed to the Science Based Targets initiative (SBTi), providing assurance to our customers of our commitment to a greener future.

Investing in new BEV marketing collateral

CASE STUDY

Decarbonisation of the NG Bailey Group fleets

NG Bailey is the UK's leading independent engineering and services business, placing huge importance upon sustainability and decarbonisation. As a valued Zenith customer since March 2018, we manage both the car and van fleets through unique and tailored solutions. Like NG Bailey, we are a signatory to the SBTi, as well as being a carbon neutral business and a member of the EV100, so we are well positioned to support their decarbonisation goals.

Car fleet

Challenge

As a business driven by creating exceptional environments for present and future generations, NG Bailey is dedicated to reducing the environmental impact of their car fleet by 2030. Despite incorporating lower-emission vehicles into their fleet, the overall fuel composition needed to be reviewed to generate meaningful change.

Solution

1. **Launch of new Ultra Low Emission Vehicle (ULEV) scheme** – focused on cars emitting less than 50g/km of CO_2
2. **Carbon footprint calculations** – allowing us to create realistic fleet projections and objectives
3. **Cost analysis** – our in-house consultancy team reviewed the introduction of BEVs without exposure to additional costs
4. **Webinar guidance** – presented on NG Bailey's internal webinars to share BEV knowledge, and discuss the role of a sustainable fleet policy within the wider business agenda
5. **Collaborative relationship** – with weekly meetings regarding progress.

Results

Car orders post ULEV scheme launch in May 2022

BEV	PHEV	HYBRID
34%	**63%**	**3%**

These choices save 6,943 tonnes CO_2e in tailpipe emissions over the lifecycle of the vehicles when compared to the diesel equivalent.

Equivalent to:

875
homes' average annual energy use

844m+
smartphone charges

1.9
wind turbines running for a year

263,147
incandescent lamps switched to LEDs

Future focus

Given the 2030 end of sale date for petrol and diesel vans less than or equal to 3.5t, there is a serious need for 'van plans' to encourage operators to make the switch. We have therefore launched an LCV transition, including a detailed fleet consultancy review, which will see significant improvements to the overall sustainability of the 463-strong commercial fleet. We're looking forward to being able to report on our progress following the growth in our customer relationship.

CASE STUDY

Improving efficiency and sustainability for Marston Holdings

Marston Holdings is the largest judicial services organisation in the UK, focused on supporting government, utilities and private sectors through the delivery of market-leading integrated technology-enabled solutions.

We have partnered exclusively for fleet management services since February 2018, with our relationship dating back to 2011. With c.800 depot-based cars and vans, strong operational management is essential.

Challenge

With c.800 depot-based cars and vans, it is imperative that the fleet runs efficiently with maximum vehicle uptime.

Additionally, as an organisation working with many local authorities and central governments across the UK, Marston Holdings must be at the forefront of the BEV sustainability agenda, as this is often a non-negotiable requirement for customer contracts.

Solution

1. **Sustainability focus** – refined vehicle choice matrix to include BEVs across every category, and created a tailored CO_2 reduction strategy
2. **Rigorous downtime management** – providing daily visibility of all cases and a clear view of fleet utilisation
3. **Maximising efficiency** – targeted problem vehicles, identified patterns of inefficiency and utilised spare vehicles
4. **'One Zenith' offering** – our inclusive solution covers all vehicle types, enabling collective focus on reducing cost and improving efficiency. This includes Marston's new green salary sacrifice scheme which will launch later in 2023
5. **Simplified vehicle configuration** – streamlined the management of vehicle conversion through our trusted partners and support from our in-house LCV and HGV teams
6. **Expert fleet consultancy** – including detailed manufacturer reviews to ensure that model selection, cost and aftersales support is optimised.

Results

CO_2 REDUCTION IN LAST TWO YEARS	FLEET AVAILABILITY OVER PAST TWO YEARS	50% REDUCTION IN HIRE VEHICLE USAGE, ENABLING AN ANNUAL SAVING OF	EQUIVALENT AVAILABLE DAYS FROM FLEET UTILISATION
12%	**97%**	**£450k**	**5,000+**

CASE STUDY

Supporting Morrisons on their electrification journey

Morrisons is a British food retailer with around 100,000 colleagues in 497 stores, serving millions of customers every week.

Zenith has been Morrisons' company car and van partner since 2018, managing their fleet of 300+ vehicles. We have been supporting Morrisons on its electrification journey, with the current order bank sitting at 85% electric or hybrid vehicles.

Challenge

As part of its strategy to achieve net zero greenhouse gas emissions from its operations by 2035, Morrisons was looking for a policy that supported its journey towards a greener fleet.

Solution

1. **Policy review** – definition of requirements and BEV strategy
2. **Enhanced choice list** – providing electric and hybrid vehicles at each core grade
3. **'ET for EV'** – offering existing company car colleagues the opportunity to early terminate their current car for an a BEV, regardless of the remaining term
4. **BEV demonstration vehicles** – provided long-term trial vehicles
5. **Expert BEV support** – through our Insights Hub, in-house BEV Gurus, and webinar content
6. **Whole life cost awareness** – our in-house consultants conducted analysis to demonstrate the cost efficiencies of running a BEV fleet.

> **"Zenith has supported Morrisons in our transition to an effective and efficient Whole Life Cost policy. This transition supports Morrisons' long-term sustainability agenda."**
>
> **Kate Magson**
> Head of People – Reward, Morrisons

Results

BEV OR HYBRID AS % OF TOTAL ORDER BANK	PURE ELECTRIC AS % OF TOTAL ORDER BANK	ORDER UPTAKE OF THE 'ET FOR EV' INITIATIVE	CARBON SAVING FOLLOWING ORDER BANK DELIVERIES
85%	**34%**	**15%**	**15%**

Corporate – Rental

Record year of growth despite market supply challenges

Zenith experienced a record-breaking year for daily vehicle rental, providing nearly two million rental days across our 600 Corporate customers. Increased use of long-term rental while customers waited for their contract hire vehicle to be delivered, and greater demand for LCVs across key sectors such as facilities management, together with new business wins have all contributed to higher volume of rental days.

"Unlike many of our competitors, Zenith is not limited to supplying via our own fleet of vehicles. Instead our service is fully scalable, using a range of rental partners to provide hire vehicles for our Corporate customers. This model has helped fulfil unprecedented growth over the past year and kept our customers mobile."

Andrew Kirby
CEO, Rental

In what has been a challenging year for vehicle supply within the UK rental market, due to widespread shortages of hire vehicles, Zenith has been able to meet increased demand via a combination of:

- Multi-supply network – our business model outsources the supply of vehicles across multiple partners
- Resilient strategic partnerships – we have a number of key strategic rental partners which ensures security of supply
- Customer communication – we work with a range of stakeholders from fleet managers to company drivers to help understand the restrictions within the marketplace and adjust booking behaviour accordingly to maximise supply.

BEV rental: our opportunity for continued growth

BEV and hybrid accounted for over 10% of last year's booking volume, and the BEV rental sector is predicted to grow significantly over the next five years. This provides us with a fantastic opportunity for continued growth, and an opportunity to significantly reduce the carbon footprint of our customers.

Our opportunity

Every 10% increase in rental volume allocated to a BEV, that displaces conventional petrol/diesel volume, will save over 1,600 tonnes of carbon per year.

"Every rental day supplied as a BEV saves on average over 9,000 grammes of CO_2 presenting an annual opportunity of 16.2 million tonnes."

RENTAL DAYS (MILLIONS)

Double digit predicted EV rental market growth over the next five years[1]

Predicted carbon reduction by 2028[2] **22%**

FY23 GROWTH IN RENTAL DAYS
38%

RENTAL DAYS SUPPLIED
1.8m

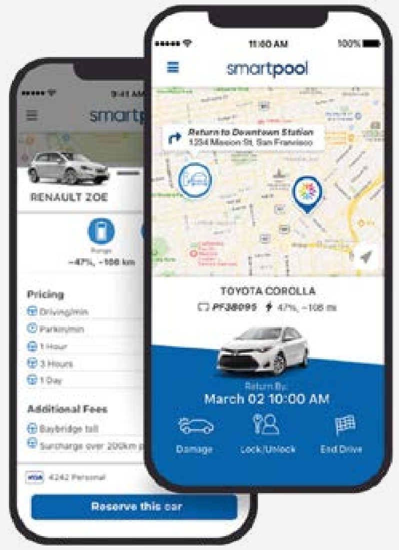
1 TechNavio
2 Zenith Analysis

New product launch

smartpool

The year also saw the launch of our exciting new pool vehicle management app, smartpool. With the convenience of an app plus full back-office support, smartpool provides secure access for multiple users to book, manage and drive contract hire pool vehicles via keyless entry. Customers with a large volume of short-term hire trips to-and-from office locations now have a convenient, low-cost alternative to daily rental.

- Provides secure, electronic diary management with full visibility of vehicle availability – no more sticky notes or spreadsheets with the risk of double booking
- Reduces the need for cost of a central administration process
- Access to vehicles provided via a smartphone app, which reduces the security risk of holding a physical key across multiple users
- Utilisation of activity data – helps maximise the use of each vehicle to improve cost efficiency of a pool fleet
- Management information detailing user data – helps accurate allocation of spend across multiple users and cost centres
- Vehicle telemetry data including fuel and battery levels – helps drivers plan for their journey, particularly important where BEVs are used.



Leading the way for business critical commercial fleets

Zenith Commercial offers operators of high intensity business critical fleets the most comprehensive range of services in the UK market. We keep our customers moving 24/7/365, handling over half a million planned and unscheduled events every year.

Our funded fleet remained flat against a challenging procurement and supply chain backdrop. Our core managed fleet showed modest growth of 4.3%, with a market leading national bakery a notable new win.

Key to our strategy is to grow with our customers, enabling them to benefit from the one-stop shop we offer across funding, fleet management, maintenance delivery, and rental solutions.

We developed our mobile servicing and on-site defect resolution services, increasing the number of mobile technicians by 25%, while investing heavily in our digital platforms to enhance internal capabilities and the overall customer experience.

"We are proud to be trusted by the operators of some of the UK's largest commercial fleets to support them in delivering tomorrow's world today."

Martin Jenkins
CEO – Commercial Division and Group Strategy Director

TOTAL FLEET SIZE
46,767

DAYS OF TRAILER RENTALS
2.4m

BREAKDOWNS AND DEFECTS MANAGED
570k

HEALTH & SAFETY TRAINING
600 hours
invested in IOSH certifications

LABOUR HOURS DELIVERED
500k
Through our in-house workshop and mobile technicians

TOTAL FLEET SPLIT BY FUNDED AND MANAGED

	Funded fleet	Managed fleet	Total
FY23	17,642	29,125	46,767
FY22	17,582	32,110	49,692
FY21	16,478	30,511	46,989

FY23 Highlights

Mitigated inflationary pressure for our customers with a relentless focus on cost control with 95% vehicle availability

Invested in 30 new mobile technicians to support the rollout of new maintenance solutions to our customers, growing the fleet by 25%

Increased our share of wallet with our top ten Trailer Rentals customers by 12.5%

Deployed new innovative technology solutions including EBPMS and CVInspect

Supported our colleagues to complete key training programmes covering health & safety, technical knowledge and management skills

Future focus

Further investment in our technology solutions including our customer portals and transactional platforms

Continue to enhance our service offering to meet both the current and future needs of our customers

Complete the consolidation of our technology solutions onto a common platform

Additional investment in our people, including an enhanced development pathway for our technicians and operational teams

Embed continuous improvement across the division through establishing a dedicated transformation and change team

Our experienced, market-leading team use best-in-class technology to deliver tailored solutions, optimising productivity and keeping our customers' fleets compliant, effective and efficient. Our teams take on the daily business of fleet operations, leaving our customers to focus on what they do best.

Commercial Fleet Solutions

With nearly 47,000 assets under management, no other UK provider parallels us for service breadth and capability – from funding and fleet management to direct service delivery and parts supply. We provide multi-skilled engineers and technicians through our mobile support units, strategically-placed workshops, and an extensive third-party network.

"Zenith Commercial Fleet Solutions has been key in supporting our mission critical fleet of c.1,000 vehicles for over ten years. By minimising downtime and ensuring our fleet is safe, legal and compliant, we continue to deliver the highest standards of service and health & safety to our customers."

Aaron Powell
Fleet Director, Speedy Hire Services

Trailer Rentals

Our 7,000 strong trailer rental operation currently serves the needs of all the top ten businesses in the Motor Transport top 100 fleets, working with more than 270 UK hauliers and operators across multiple industries. We offer customers more trailer configurations than any other provider – over 100 in total, ensuring the trailers our customers need are in the right place, and at the right price.

"Since the start of our relationship back in 2007, Zenith Trailer Rentals has been a great support to our business, supplying both ambient and temperature controlled, single and double deck trailers to support our day-to-day needs and peak trading periods."

Peter Hey
Procurement Manager – National Fleets, Asda

Commercial continued

CASE STUDY

Developing talent at our workshops

Zenith's Commercial apprenticeship scheme has been in operation at our Glasgow workshop for more than ten years. Working in partnership with Glasgow Training Group, our apprentices gain a City & Guilds SVQ in Heavy Vehicle Maintenance and Repair at SCQF Level 7 qualification. Good apprentice training and mentoring shapes trainees for the future, bringing young, fresh talent into our business and securing our future workforce. In addition to technical skills, apprentices gain a good work ethic and attitude to work, and respect for themselves and others.

GLASGOW WORKSHOP TECHNICIANS

>40%

are in or have come through the apprenticeship programme

"I was determined to get into a good company where I could be trained and get a trade. I'm glad I chose this trade and am hoping to build my career at Zenith."

Jay Lauriston
Apprentice HGV Technician

"I believe that apprentices are the future. They are fast learners, they embrace change, and their developing minds serve us well to adopt good practice and explore new things."

Archie Miller
M.I.M.I. Service Manager

"I completed my apprenticeship in 2011. I have gone on to be a leading technician and shift supervisor, passing on my experiences and knowledge to other colleagues."

Barry Alexander
Shift Supervisor

CASE STUDY

Using technology to deliver efficiency

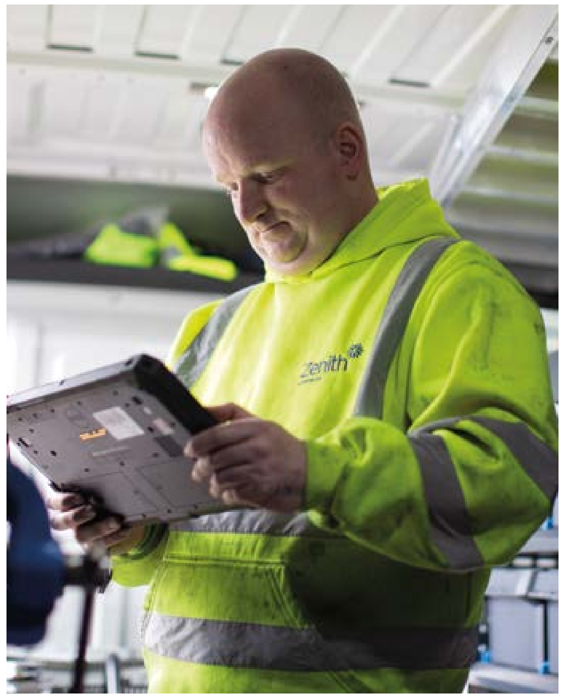
Legislation states that trailers need to be brake tested annually, however DVSA recommended best practice is that brake tests are completed in line with each service. Depending on the usage, this could be as frequently as every six weeks. In partnership with Axscend and their DVSA-approved technology, Zenith piloted an electronic brake performance monitoring system (EBPMS), allowing brake tests to be carried out via telematics as the trailer is in use. During the pilot, trailer productivity increased, maintenance costs reduced, and CO_2 was saved by not transporting trailers to brake test sites. Following this successful pilot, more than 20 Zenith Trailer Rentals customers are now using this solution.

CO_2 EMISSIONS SAVINGS ACROSS THE 350 TRAILER PILOT

26,000kg+

"EBPMS has helped to reduce downtime and increase the productivity of the assets we hire from Zenith."

Guy Burgess
Logistics Director, Panther Group



CASE STUDY

Evri Barnsley

To improve efficiency, Evri has recently moved to a hub model. The company's Barnsley hub is one of the largest in the UK with around 900 assets operating 24/7.

Our team undertake routine inspections and servicing, as well as defect repairs in the on-site workshop. Operating extended hours to suit Evri's busy schedule minimises vehicle downtime and allows Evri to deliver for its customers.

"Supporting our transition to a hub model in Barnsley has cemented our partnership with Zenith and is testament to the service delivery from the Zenith team. Having technicians on-site gives us the flexibility to adapt maintenance and repair schedules at short notice, ensuring our trailers are mobile when we need them."

Craig Kimberlin
Fleet Maintenance Manager, Evri

Consumer – ZenAuto

Helping consumers transition to the BEV era, today

ZenAuto

We are ZenAuto. A cutting-edge digital lifestyle brand delivering what the modern consumer needs tomorrow, today. To 'Zen it' promises consumers smart usership, flexible car plans and a simple, start to finish digital journey.

This year we hit several milestones, achieving profitability and surpassing 11,000 cars on fleet, while maintaining our commitment to first-class customer service, as evidenced by our 4.8 stars Trustpilot score.

While we expect our growth to continue, ongoing interest rate increases, and the current cost-of-living crisis is likely to constrain near-term demand and fleet growth. We plan to mitigate the impact with new product launches, including a small business leasing solution.

We continued to enhance our digital capabilities, increasing functionality, simplicity, and ease of use. Features such as web chat and a range of self-serve tools are making it easier than ever for our customers to interact with us online.

"More than ever, today's consumer prefers to shop online. ZenAuto provides a best-in-class digital journey where consumers can find their next car without even leaving their home."

John Tracy
CEO – Zenith Consumer Division

ZENAUTO FLEET SIZE
11,133

FY23 GROSS PROFIT DOUBLED
240%+

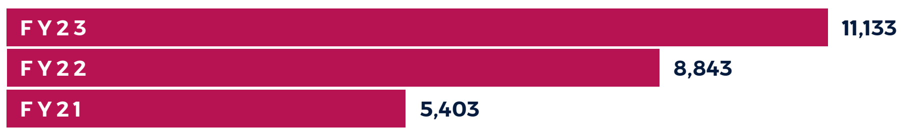
ZENAUTO FLEET AND ORDER BANK GROWTH (YOY)
15%

BEV AS A % OF TOTAL FLEET AND ORDER BANK
24%

TRUSTPILOT SCORE
4.8 stars

Trustpilot

TOTAL FLEET (ALL FUNDED)



FY23 Highlights

In four years, ZenAuto has evolved from concept to start-up to a maturing business. Despite being an early-stage company, ZenAuto achieved break-even[1] profitability in 2023

Our customers confidently rate our services excellent with a Trustpilot score of 4.8 stars

The ZenAuto business continues to grow with over 11,000 cars on fleet

TV campaign live in Q3 to generate brand awareness

Leading the move to low emission motoring, one in four ZenAuto cars across the fleet and order bank are BEVs

[1] Breakeven on an EBITDA basis, before exceptional items which are further explained in note 6 to the financial statements.

Future focus

Extend and diversify our offer to provide a leasing solution for small businesses

Support our consumers with the transition to electric vehicles with the option to include a charge point in their monthly payment

Remain at the forefront in delivering great customer outcomes by embracing the Financial Conduct Authority's (FCA) Consumer Duty requirements

Improve the customer experience through the introduction of further self-service functionality

Continue to grow our business and extend our distribution channels, providing great value to our strategic partners

Leasing makes tomorrow's world go round

Technology, consumer demand, and market trends are all constantly evolving. ZenAuto was born to match this pace and serve the modern consumer.

Disrupting the current commoditised category, we are aligned with the consumer need for sustainability, access over ownership, and mobility as a service.

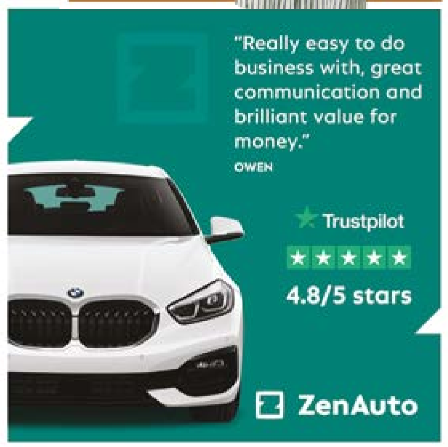
From instant quotes to easy online ordering, the smooth digital journey was made to fit into the modern consumer's fast-paced life.

In the past year, technology has developed exponentially. The automotive industry is racing ahead with new innovations, especially in the BEV sector. From the Mercedes-Benz EQS' record breaking 453-mile range to Toyota's solid state battery breakthrough, there is constant change and growth.

Recent consumer research, undertaken in August 2022, found that 30% of potential leasing customers are worried about the fast rate of BEV technology development. 21% of these 'likely leasers' are most worried about technology changing and, therefore, their cars becoming outdated at a rapid pace.

The solution for drivers who fear falling behind? Leasing a new car with ZenAuto. Innovation never stops and we are perfectly placed to keep up with this growth.

ZenAuto customers can upgrade their car every two, three or four years; in today's age, it's the smarter way to get a new car.



Consumer – ZenAuto continued

CASE STUDY

Building a proposition to serve tomorrow's consumer

Building brand awareness – 'Just Zen it!'

Last September we launched our latest above the line campaign. The aim was to disrupt the market, drive traffic to the ZenAuto site and increase brand awareness.

Featured on 101 TV channels, we reached millions of potential customers with further engagement across our social platforms; the campaign brings our flexibility proposition to life while capturing the joy of getting a new car through ZenAuto.

By targeting more channels at each stage of the customer funnel, we are establishing ourselves as a leading player in the new era of mobility.

Creating a proposition for the future

We are constantly improving our offering to ensure we are meeting the demands of tomorrow's world, today.

Over the next 12 months, we plan to broaden our proposition, to target small to medium sized enterprises (SME) through Business Contract Hire. By diversifying our proposition, we are strengthening our long-term growth and increasing brand exposure.

Our consumer survey found that 42% of potential leasers would like to bundle home charging points into their contract.

The transition to electric can be an expensive move. To make the switch easier for consumers, we intend to add electric vehicle charge point bundles to our proposition. A bundling proposition allows consumers to spread the cost with manageable monthly payments.

With different leasing options and more add-ons available in our car plans, we are positioning ourselves at the forefront of the car leasing industry while adding high commercial value to the business.

Unparalleled customer experience

Through our class-leading digital platform, we provide a seamless customer experience. From configuring a car right through to renewal, we are with our customers every mile along the way. It also makes ZenAuto more agile and personal. We can cater to our customers' needs and evolve to new consumer demands.

Customers have the ease of online ordering from the comfort of their sofa and if they ever need us, we are there to help via phone, email or live chat. We act with compassion, bring energy, and always create joy for our customers.

A choice of top manufacturer brands

Through our close working relationship with OEMs, we acquire attractive cars for our customers to lease at competitive prices.

We strive to provide an impressive choice of cars for customers to choose from, with a wide range of offers from manufacturers that everyone has grown to trust and love. At the same, we are also adding new, up and coming names to our product offering.

The more choice we can provide, then the higher the chances are of the customer finding their perfect car at the right price for them.

CASE STUDY

Green Car Cross Code

Helping the next generation transition to the BEV era safely

As we support consumers into the modern BEV world, we are on a mission to equip the UK's youngest road users with the latest road safety guidance.

Introduction

We launched our first large scale PR campaign – the Green Car Cross Code – last September. The code is supported by the UK's largest road safety charity, Brake, and aims to upskill children with six simple steps.

The aim

To put ZenAuto at the forefront of the BEV transition, by helping both drivers and pedestrians adapt to the differences BEVs bring.

We also set out to build the brand and drive valuable engagement to the website. And, above all, we hope the code will help keep children safe on the roads.

The outcome

Our study of 1,200 British parents and children aged 6-17 revealed that more than a quarter of children don't know electric vehicles are quieter, and 30% didn't realise they can accelerate faster than petrol and diesel vehicles. From this study we identified a genuine gap in road safety knowledge and developed a community solution.

Presenter and parent of two, Konnie Huq, was selected as the spokesperson for the campaign. As a sustainability champion and children's TV icon, Konnie aligns perfectly with the code. To help raise awareness of pedestrian road safety, we produced a video of Konnie teaching children the Green Car Cross Code.

An interactive hub was also built on the ZenAuto site as a place for visitors to learn the code and test their knowledge with a quiz.

Furthermore, our marketing team visited a local primary school and delivered sessions to Key Stage 1. This positioned ZenAuto as a community-focused brand, helping to create a meaningful legacy.

The campaign was amplified in the media and across ZenAuto's social channels. There were 108 pieces of media coverage overall, 83 of which were regional pieces while mass media outlets, such as The Independent and The Daily Mirror, made up the rest.

What's next

We plan to send out teaching resources to UK primary schools. We hope that as many children as possible will learn how to look and listen out for BEVs when crossing the road. In a similar vein, Girlguiding UK will also be sent resources to deliver road safety sessions across the country.

Currently, we have a meeting pending with the Department for Transport. We will be discussing ways that their flagship campaign, THINK!, could support the Green Car Cross Code.

Consumer – White Label Solutions

Enabling rapid partner growth through scaled outsource solutions

The past year has seen continued growth with our white label partners, across all asset types, with the managed fleet reaching record levels. The transition to electric vehicles, the emergence of new mobility models, and changing consumer demands for usership and subscription products, rather than ownership are creating huge opportunities in the UK market for vehicle manufacturers, banks and other financial institutions.

Outsource solutions

We have a long and successful track record of providing outsource services on a 'white label' basis. This service enables our partners to offer leasing and fleet management services under their own brands to the consumer, SME and corporate markets, by leveraging our experience and expertise, proven systems and processes, and high-quality service delivery.

Despite challenging economic and market conditions, our White Label Solutions portfolio has continued to grow throughout the past year, reaching the milestone of nearly 57,000 vehicles under management in September 2022.

TOTAL MANAGED FLEET SIZE

56,000+

Note: excludes vehicles also served by Commercial division

SERVICES DELIVERED UNDER

11

different brands

GROWTH

10%

(April 2022 – March 2023)

WHITE LABEL SOLUTIONS FLEET GROWTH (CURRENT PARTNERS)

FY23	56,875
FY22	51,304
FY21	41,993

Key partner benefits

Automotive OEM	Banking / financial institutions
Direct sale channels for corporate, SME and consumer markets – Management of pricing, consumer experience and future used car stock.	Deploy own balance sheet to grow lending portfolio
Zenith funding and risk options available.	Support transitions to low-carbon economy through funding of electric vehicles.
Access to expertise and experience for the new market entrants.	Established controls, risk management, assurance and oversight.

Quick-to-market, flexible, regulated and highly scalable technology / people driven solutions

New market entrants and changing distribution models

The past few years have seen several new vehicle manufacturers entering the UK market. We expect this to increase further as established Chinese manufacturers bring cars into Europe, and some established OEMs move towards direct sales models. Vehicle leasing is also increasingly attractive to banks and financial institutions seeking to deploy their capital to support the decarbonisation of road transport. Typically, OEM and banking new entrants will need support to bring their products to market presenting a key growth opportunity for Zenith.

Working with Zenith provides a proven, cost-effective, quick-to-market and highly scalable solution. And being independent of bank or OEM ownership, our existing and future partners can be sure there will be no conflicts of interest.

Flexible and adaptable

We offer a broad range of partnership options, from simple collaboration to driving sales volumes through our existing channels, through to fully integrated white label models. We operate across all vehicle asset types (cars, motorbikes, vans and heavy goods vehicles), providing solutions to Corporate customers and consumers, with a fully FCA-compliant range of solutions.

Long-term value

Every programme is different; Zenith provides a highly flexible and adaptable range of services, funded by ourselves or through partner funding, all delivered under customer brands, including a wide menu of optional added value services. With a high degree of integration, our solutions become an embedded part of our partners business models, leading to long-term relationships and contracts.

CASE STUDY

Business transformation and growth

The UK leasing arm of a major European OEM appointed Zenith to manage its existing fleet portfolio.

Through our fully white-labelled leasing solution, the OEM utilised our leasing experience and technology platforms to reverse portfolio decline and return to growth. The project, delivered on time and budget, saw the migration of the OEM's existing portfolio, across B2B and SME car and LCV vehicles, into Zenith's systems with an ongoing leasing and fleet management solution. The approach delivered an improved customer experience and an 80% growth in the portfolio over six years.

Ultimately, we enabled our partner to take their leasing operation back in-house following its acquisition of a pan-European lease provider.

CASE STUDY

New build dealer point-of-sale contract hire programme

Without contract hire and leasing capabilities, the auto finance arm of a major UK and European bank was losing business to competitors, while facing pressure from its OEM partners.

Zenith was appointed as an outsource provider to build its proposition and manage growth. Our solution incorporated personal and business contract hire for multiple distinct OEM and financial services brands. This complex programme, first launched in 2015, drove rapid portfolio growth from zero to over 55,000 vehicles, while also enabling high-quality customer and dealer service delivery.

The portfolio is 85% consumer (FCA regulated) and 15% SME, with our first OEM subscription offer launched in 2021.

Sustaining our community commitment

A difficult year for many has seen our commitment stand firm, and in places excel, with colleagues at the heart of how we act in this space.

Environmental, social and governance community and social activity owned locally

As a growing business, knowing when to adapt is key to keeping colleagues engaged. In 2022, after consultation with colleagues and leaders, we moved to a local approach for volunteering and social activities, opting to retain the Christmas party as a Group event, with all other events decided within the divisions. This has led to a greater sense of ownership and choice over what to commit time to supporting, and we have seen 15 activities in the last 12 months, with 22 colleagues acting as local representatives. Activities included:

- National Three Peaks Challenge
- Food bank collections
- Charity clothes collection
- Children's gift collecting for The Salvation Army
- Farming at Kirkstall Valley Farm.

Supporting students with moving into the world of work

Educating the next generation about our industry is going from strength to strength.

Recognising the size of our business and its number of locations, we knew we could do more to support local students in getting ready for the world of work. With the launch of our ED&I focus groups, we identified that we were not doing enough to support students from diverse backgrounds.

Investment in the learning and development (L&D) function provided the resource for this key focus area, leading to expansion of the number of schools supported to 12, with 15 activities delivered, reaching over 10,000 students.

During National Apprenticeship Week we hosted a careers fair at Kirkstall Forge, involving six schools from the Leeds area, including Lighthouse School, a college dedicated to students who are neurodiverse. Our L&D team worked in partnership with the neurodiversity and age focus groups to deliver this inspirational day.

We find that students often have misconceptions about working in an office environment, and offering work experience at our headquarters provides the opportunity to replace misconceptions with reality. We hold a work experience week each year and 2022 was no different as we welcomed students to a number of teams.

Kickstart journey continues

Our 2022 report shared the success of our Kickstarters, whom we offered 13 roles at Zenith following their successful placements. The government funded scheme aimed to support 16 to 24-year-olds at risk of long-term unemployment by providing work experience, and where possible, full-time work. We are pleased to note that six (46%) of our Kickstarters are still with us, demonstrating that with support and a structured programme, colleagues from any background can thrive at Zenith. The government has now closed the Kickstart scheme.

World of work events

SCHOOLS SUPPORTED	COLLEAGUES INVOLVED	STUDENTS REACHED
12	61	10,000

Participating schools

The Morley Academy
Lighthouse Futures Trust
Bruntcliffe Academy
Ilkley Grammar School
Pudsey Grammar School
Abbey Grange
Harrogate Grammar School

A record year of fundraising

In FY23 we raised a record £78,560 for charities, supporting our charity of the year, Dementia UK, as well as Maggies, Macmillan, Children in Need, Muscular Dystrophy, automotive charity BEN, StepChange and St Mary's Church.

Our annual challenge returned in summer 2022 following a COVID-19 induced break; 35 colleagues took part in the National Three Peaks Challenge, summiting Ben Nevis (Scotland), Scafell Pike (England) and Snowdon (Wales) in 24 hours.

This event, bringing with it team building and resilience opportunities, raised £8,000 for Dementia UK. For those who don't enjoy the great outdoors, headquarters colleagues took part in a static bike ride to cycle the 492 miles of walking and driving it took to complete the challenge.

We have continued to raise awareness and support overseas disaster events, such as the earthquake appeal for Turkey and Syria, and the floods in Pakistan.

Giving something back

TOTAL FUNDS RAISED
£78,560

VOLUNTEER EVENTS AT ZENITH
30

VOLUNTEER HOURS WORKED
1,700

KICKSTARTERS CONTINUING
6 (46%)

Our activities

- **National Three Peaks Challenge**
- **Food bank collections**
- **Charity clothes collection**
- **Children's gift collecting for The Salvation Army**
- **Farming at Kirkstall Valley Farm**
- **Mission Christmas – wrapping gifts for disadvantaged children**

Sustainable supply chain evolution

Making informed decisions about our partners and supply chain is extremely important to the Group. Our partners are a reflection of Zenith; we stand alongside our supply chain, with procurement governance that follows a set plan.

We recognise that effective supply chain management is crucial for success; to keep our customers safe and mobile we have built a nationwide partner network, based on a sourcing philosophy to work with the very best supplier partners and to be their best customer.

Our essential partners include new vehicle suppliers (OEMs and dealerships), bodywork and mechanical repairers, tyre and glass fitters, breakdown providers, and other vehicle-related services. We have developed a UK-wide network of over 220 body repairers and more than 4,000 mechanical repair sites. In the last year, we increased the number of preferred body repairers from 100 to over 220, reducing the travel distance needed for accident repair. Our network supports all vehicle fuel types, importantly a growing capacity and competency for evolving vehicle technology, including battery electric vehicles (BEVs).

In addition to our external partner networks, our fleet operation centre manages all aspects of our commercial fleet needs, utilising our parts distribution hub and five in-house commercial repair and parts sites for maintenance, trailer repair and refurbishment. These are further supplemented by a fleet of over 100 mobile workshop technicians across the UK.

BODY REPAIRERS IN NETWORK

220+

MECHANICAL REPAIR SITES

4,000+

> **"It has always been Zenith's supply chain mission to work with the best service providers, while also trying to be their best customer, which in turn allows us to serve our customers."**

Anthony Dowdall
Operations Director

Procurement process

01 Requirement → 02 Procurement support → 03 Tender process → 04 Determine the best partner → 05 Scope, price and term negotiation → 06 Compliance review and sign off → 07 Contract review and sign off → 08 Procurement support implementation

Process repeated again

CASE STUDY

Repair, refurbish, recycle, rejuvenate

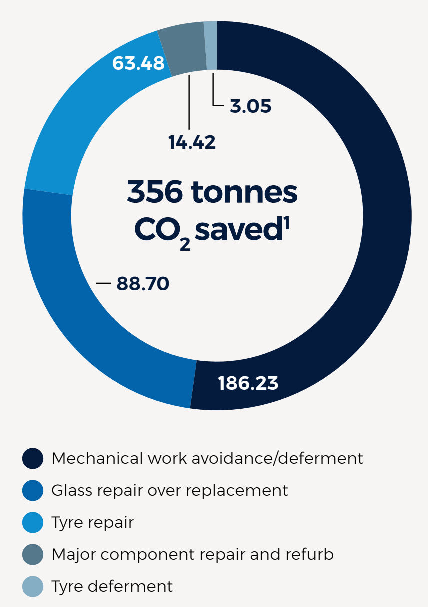
Building on the success of last year's sustainability initiatives – the development of our Green Parts Initiative – we have extended our commitment, identifying additional CO_2 saving schemes across our in-life operation and supply chain.

We have identified five focus areas:

1. Mechanical work avoidance and deferment
2. Glass repair over replacement
3. Extending tyre life
4. Major component repair, refurbishment or alternative sourcing
5. Using 'green parts' for collision repair. Green parts can be defined as known DNA, meaning the parts are fully traceable to a known donor vehicle.

Using recognised methods of calculating the equivalent carbon impact of our associated spend (http://www.censa.org.uk), we estimate our activity across the five focus areas saved 356 tonnes of CO_2 throughout 2022.

[1] This equates to 912,623 miles driven by the average car.



CASE STUDY

vGroup supply chain sustainability

We are working with our long-term partner vGroup to increase sustainability, reduce waste, and utilise more eco-friendly products within our new vehicle delivery pack, for example ensuring that the vehicle number plates are 99% recyclable and digitalising more of its stock has saved 2,240kg in annual wastage.

vGroup's sustainability ethos, such as its target of achieving net zero by 2024, fits with our sustainability and partnership expectations of our supply chain. vGroup has two UK production facilities with multiple delivery sub-depots to reduce delivery mileage, with its just-in-time (JIT) manufacturing process helping reduce stock holding and waste.

vGroup International

CASE STUDY

Next level sustainability collaboration

This year we launched our first Supplier Sustainability Survey. The survey is designed to help us better understand the sustainability strategies of our supply chain partners and prepare us for Scope 3 of the Science Based Targets initiative (SBTi). Scope 3 is part of our commitment to achieving net zero greenhouse gas emissions by 2050 at the latest.

Through the survey, we have invited nearly 100 of our key supply partners to share information that will enable us to understand their sustainability priorities, material topics, and maturity of their procurement and sustainability strategies. The insight gained will enable us to check our alignment with that of our supply chain partners and understand how we can move forward on shared sustainability outcomes.

The Supplier Sustainability Survey is an important next step in Zenith's sustainability journey. We expect to share and action the findings by the end of the year.

Sustainable finance

Sustainable financing – green bond and securitisation

Our sustainable and diverse asset funding sources

Sustainable financing is one of our key enablers, supporting the growth and development of our business and integral to the delivery of our strategy. In early 2022, we issued our inaugural green bond: senior secured fixed rate notes, due 2027. At the same time, we entered into a new £65m revolving credit facility (RCF), replacing our previous credit facility.

Our green bond supports our sustainability strategy through our commitment to spend at least an equivalent amount to the bond's proceeds on eligible green projects or investments within two years. Through this, we committed to spend at least £475m on BEVs by January 2024, and have nearly achieved our target, with 90% spent on BEVs to 31 March 2023.

Additionally, we employ a range of asset funding programmes to provide the working capital needed to sustain and grow our funded fleet.

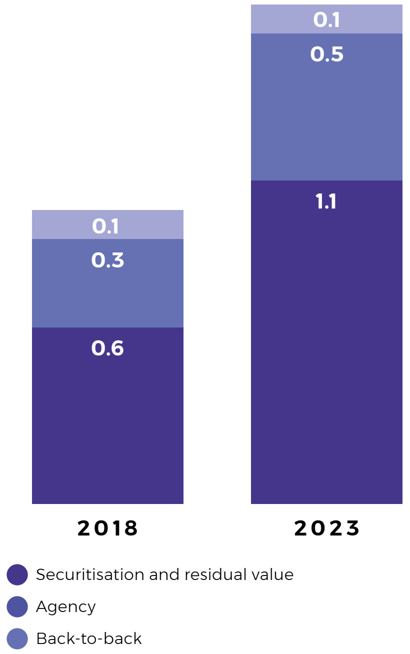
We fund vehicles either on a principal or agency basis, depending on a range of factors, such as the characteristics of the asset, customer preference, available liquidity and attitude to risk and reward.

Over the past five years, we have more than doubled our vehicle funding lines to £1.8bn, most notably due to:

- The continued growth of our Corporate division
- The growth of the Commercial division, supported by the acquisition of the Cartwright businesses in 2020
- The start-up in 2018 and subsequent growth of the ZenAuto business within our Consumer division
- The development of our relationships with third-party funders, and the creation of new and innovative funding structures.

Our programmes now date back over a decade since we first undertook a securitisation of vehicle assets in 2011.

GROWTH IN VEHICLE FUNDING 2018 TO 2023 (£BN)



Extension of our securitisation programmes

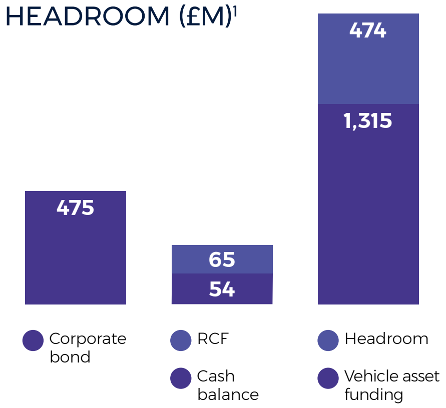
In November 2022, we extended our securitisation programmes by £250 million to £975m to support the continuing growth of our funded fleet. This involved:

- The extension of the term of our securitisations to November 2025
- The continuation of the commercial terms of the securitisations, including pricing, performance headroom tests and other key aspects.

We were very pleased that our existing funding partners (well-recognised, multinational financial institutions) supported the increase and extension of our securitisation programmes, reflecting the ongoing performance and quality of the assets in our portfolio.

We place great value on the development and safeguarding of our asset finance progress and are continually developing our relationships with current and prospective funders, ensuring that we maintain a broad and deep pool of liquidity to deliver our strategy.

FUNDING SOURCES AND HEADROOM (£M)[1]



[1] As at 31st March 2023, a further £18.3m of cash was held in SPVs and not freely available for use by the Group.

Progress on our £475m green bond

Description	Units	Up to 31 March 2023	Up to 31 March 2022
Total vehicles in eligible portfolio	Volume, #BEVs	11,410	1,595
Total spend on eligible portfolio	£ spend	£425.7m	£60.2m
Remaining balance of unallocated proceeds	£	£49.3m	£414.8m
GHG emissions reduced/avoided	tCO_2e	12,450	2,717

Data based on spend on BEVs from green bond completion date on 28 January 2022 to 31 March 2023, and 31 March 2022 retrospectively. 100% of the spend in both periods relates to financing, as opposed to refinancing projects.

Key funding stats

S&P/MOODY'S CREDIT RATINGS UNCHANGED, STABLE OUTLOOK

B+/B1

DIVERSE VEHICLE FUNDING SOURCES

£1.8bn

AVAILABLE CASH RESOURCES AND UNDRAWN £65M RCF

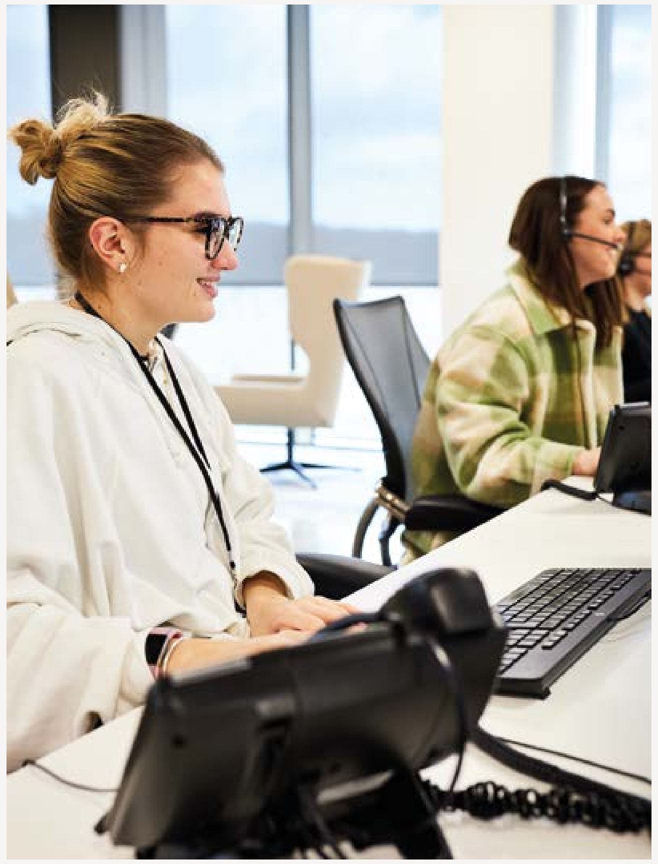
>£110m

HEADROOM ON VEHICLE FUNDING

£0.5bn

PERCENTAGE ACHIEVED OF OUR GREEN BOND TWO-YEAR COMMITMENT FOR SPENDING ON BEVS

89.6%



Task Force on Climate-related Financial Disclosures (TCFD)

Climate-related risks and opportunities

We are committed to implementing the TCFD recommendations in full, covering the four key areas: governance, strategy, risk management, and metrics and targets. Our environmental, social and governance (ESG) committee is responsible for driving action on climate change.

Zenith is voluntarily publishing this climate-related financial disclosure (CFD) report, a year ahead of our regulatory timeframe as set out in Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 and the Financial Conduct Authority (FCA) regulations on climate-related financial disclosures.

Governance

Disclose the organisation's governance around climate-related risks and opportunities.

Describe the Board's oversight of climate-related risks and opportunities.

Ultimate accountability for sustainability and climate change lies with our CEO. At an operational level, responsibility resides with our Chief People Officer, a member of our Leadership Board and ESG committee. From the next financial year, the Leadership Board's remuneration will, in part, be linked to ESG metrics. In March 2023, the Leadership Board also all attended carbon literacy training.

The Board has considered climate-related issues when setting Zenith's purpose, vision and strategy as these have been influenced by sustainability. The ESG committee updates the Board regularly on climate-related issues and wider ESG topics. In addition, Group compliance produces a monthly report for the Board and this includes progress against ESG targets, ongoing work and key actions.

The enterprise risk committee oversees the operation of our risk management framework and is responsible for assessing and reviewing principal and emerging risks.

Our climate risk management framework will be integrated into our enterprise risk committee in the next 12 months. This will ensure that climate-related issues are monitored and overseen by the Board, specifically our CEO and CFO.

Describe management's role in assessing and managing climate-related risks and opportunities.

The ESG committee meets quarterly to assess performance against our sustainability focus areas and associated targets. It also meets monthly to discuss key upcoming topics and activities. Data is provided to the committee by several sub-forums and groups. Individual ESG committee members are responsible for specific focus areas, for example, 'transitioning customer fleets to zero emission vehicles (ZEV).

Our ESG committee is responsible for tracking progress against our risks and opportunities, this includes relevant data and metrics. The key performance indicators (KPIs) used to track and measure performance across the Group are based upon the World Economic Forum report, 'Measuring Stakeholder Capitalism'.

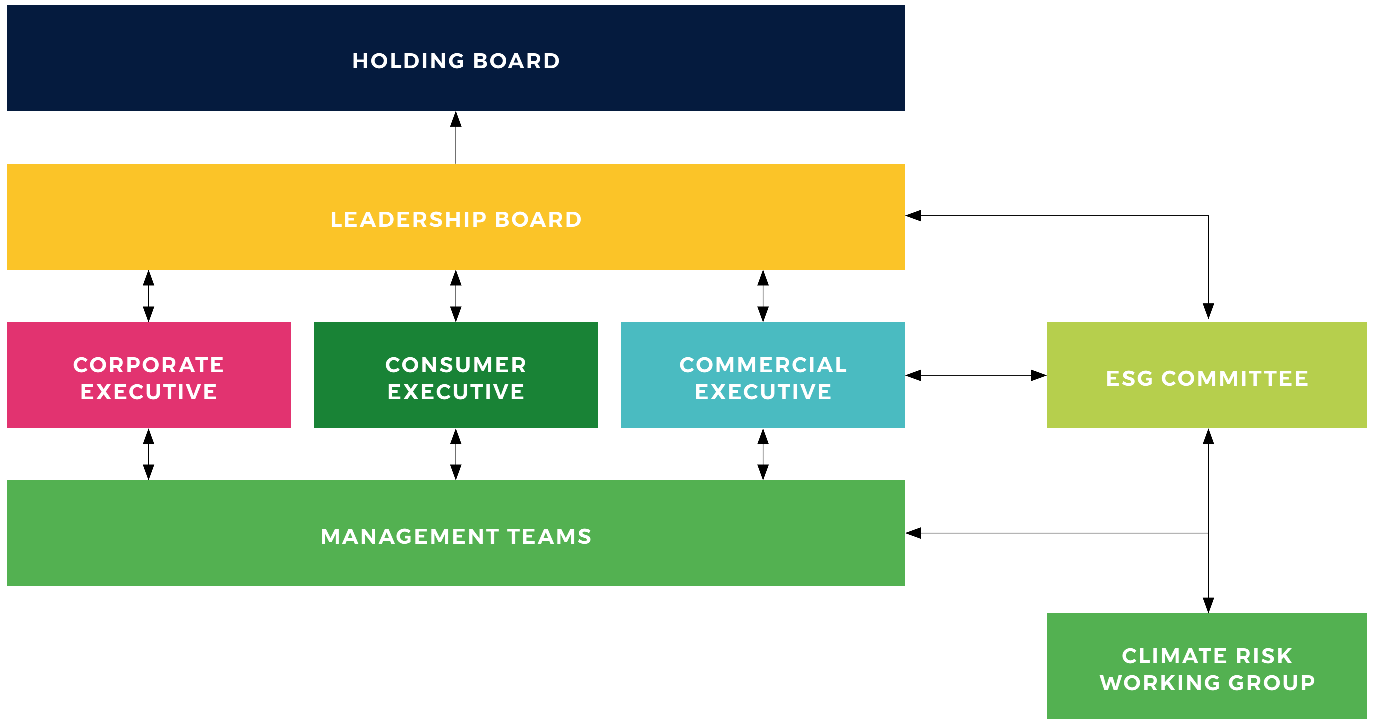
At a management level, from April 2023, our Sustainability Manager leads the design, delivery, and reporting arms of our management of climate-related risks and opportunities, and our wider sustainability strategy.

"Implementing a climate risk framework ahead of our regulatory timeframe builds resilience through effective climate change governance and risk management, helping to ensure that we deliver on our sustainability-led purpose and create long-term value for all stakeholders."

Mark Wilson
Sustainability Manager

ESG governance structure

We have a clear environmental governance structure in place with our Leadership Board and CEO being ultimately accountable for climate change and the environment. They have devolved responsibilities to the ESG committee and our Sustainability Manager, who leads the design, delivery, and reporting arms of our sustainability strategy, including climate change management. Beneath the ESG committee sits our climate risk working group with responsibility for identifying, assessing and managing climate-related risks and opportunities. They report quarterly to our ESG committee and Leadership Board. Further information on our governance structure can be found within the Corporate governance section on page 109.



Task Force on Climate-related Financial Disclosures continued

Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is relevant.

Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.

All of the identified and assessed risks and opportunities apply to Zenith at Group level.

Risks:
We treat climate change as an ongoing issue and have chosen three separate time horizons to allow us to model our immediate and long-term vulnerability to various risks:

- Short term (one-three years)
- Medium term (three-five years)
- Long term (five+ years).

These have been selected to align with the Group's financial planning process, and have also been determined based upon the typical lifecycle of our leased vehicles being three-to-five years. Our climate risk framework is still in development and these time horizons may change as we develop our framework.

Material climate risks have been mapped and presented in the heatmaps on the facing page. Risks and opportunities that were found to be immaterial are excluded from this heatmap, however, our climate risk working group continues to monitor these through our climate risk register.

Opportunities:
Our ultimate climate-related aim can be seen in our vision 'to decarbonise the UK vehicle parc'. Our ability to deliver on our vision will support ourselves and our customers to reduce emissions, and the UK to achieve its net zero targets. It also represents our strongest opportunity to become industry leaders in sustainability and benefit from the associated reputation and market opportunities.

Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.

Our climate risk framework is in its infancy and these risks and opportunities are based on an initial assessment by the climate risk working group. A detailed disclosure on how these may impact our strategy and financial planning will be provided in our 2024 annual report.

However, prior to the implementation of this framework, two assessed opportunities have already influenced our strategy and financial planning. The transition of the automotive industry from internal combustion engine (ICE) to ZEVs and battery electric vehicles (BEVs) represents a significant opportunity for Zenith. This has impacted the products and services we offer to our customers. Our fleet consultancy services now include an assessment of a customer's fleet's environmental impact, if preferred.

Furthermore, the speed of this transition and the success of Zenith in supporting our customers to take BEVs has provided us with access to increased capital and markets. This can be seen through our green finance framework (see page 38).

Physical risks from climate change are impacting the environment and society. As such, we will be submitting our net zero targets to SBTi for validation by October 2023 at the latest.

Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a two degrees or lower scenario.

We have not yet conducted our climate scenario analysis. This will be completed over the next 12 months, enabling us with a greater understanding of the resilience of our strategy in regards to climate change. It will also help us to better understand the potential impact of our climate risks and opportunities. Further information will be included in our next annual report.

Climate-related risks

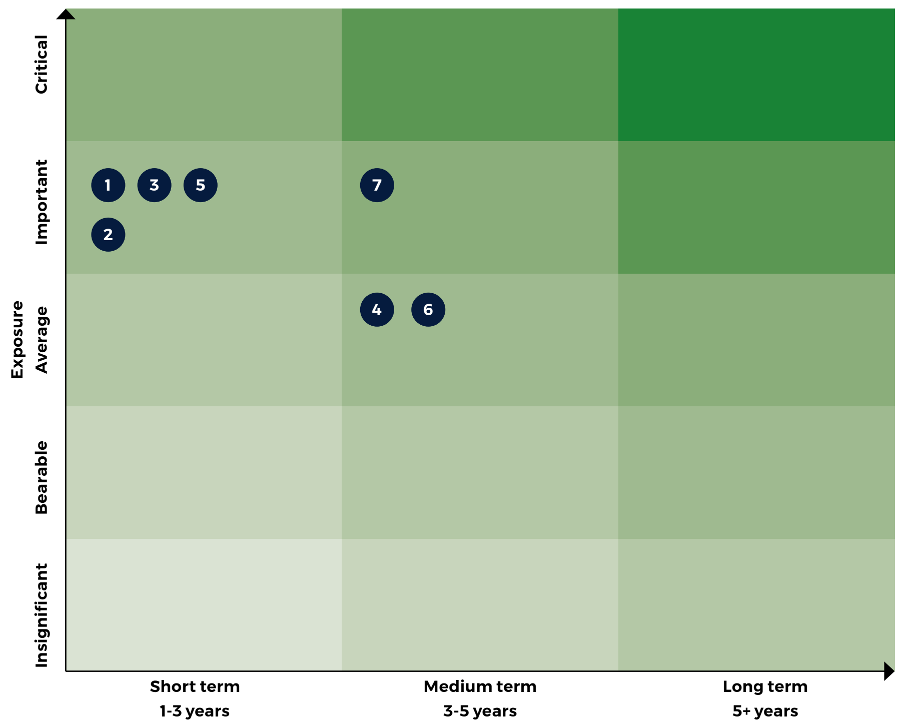
Transition Risks:

1. Introduction of a carbon tax
2. Benefit-in-Kind (BiK) tax rate changes
3. Renewable energy cost fluctuation
4. Market shift away from battery electric vehicles (BEV)
5. Used car market pricing volatility
6. Market shift away from using a personal vehicle
7. Battery electric vehicle (BEV) supply chain issues

Physical Risks:

8. Extreme weather events
9. Increase in average global temperatures

Climate-related opportunities



1. Implementation circular economy within supply chain
2. Bans on internal combustion engine (ICE)
3. Growth of green financing options
4. Increase in environmental knowledge across Zenith
5. Supply chain innovation
6. Increased stakeholder engagement and relationships
7. Product and service innovation

Risk management

Disclose how the organisation identifies, assesses and manages climate-related risks.

Describe the organisation's processes for identifying and assessing climate-related risks.

In the last 12 months, we have launched a climate risk working group including key internal stakeholders. It meets monthly to discuss emerging risks and review those already assessed. Membership includes our Sustainability Manager, Operations Director, Customer Relationship Director, Fleet Consultancy Director, and Regulatory Programme Director, among others.

The working group has used the TCFD examples of climate-related risks and opportunities as a guide to identify those relevant to Zenith. The climate risk working group uses the transition risk examples provided such as 'policy and legal', 'market', etc, and the physical risk definitions of 'acute' and 'chronic', to structure the identification of climate-related issues relevant to Zenith.

Qualitative research and horizon scanning is then completed to identify climate-related risks and opportunities. This includes media reviews, industry bodies research and report, existing and emerging legislation, customer engagement, external audits and investor risk assessments.

All risks are assessed to understand the likelihood of an event occurring and the potential impact to our business. The result of the assessment is then used to determine an appropriate response in line with our risk appetite. We use a 5x5 scoring matrix to ensure consistency.

Describe the organisation's processes for managing climate-related risks.

Our climate risk working group is responsible for managing climate-related risks and opportunities. An initial assessment on risk actions has been completed. This has identified that many risks are already managed. For example 'Used car market pricing volatility' is monitored and managed by our pricing and risk committee. As our climate risk framework is still in development, the full register and the initial findings are yet to be fully presented to the Board, who have the ultimate decision on whether the risks and opportunities should be tolerated, treated or terminated.

Our risk register includes the controls currently in place, those in implementation or that we could implement to manage any risk or optimise any opportunity. Each risk and control is assigned an owner and progress updates are provided at the climate risk working group monthly meetings.

Describe how processes for identifying, assessing and managing climate-related risks are integrated in the organisation's overall risk management.

Our climate risk register will be integrated into the enterprise risk framework in the next 12 months. This will develop the link between our climate risks and opportunities with our strategy and financial planning.

Metrics and targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.

The nature of the business is such that the main source of Zenith's emissions, and therefore our impact on the environment and climate, is the downstream use of vehicles by customers. As such, the ESG committee tracks the following metrics to monitor progress against climate-related risks and opportunities:

- Percentage of total Zenith funded fleet that are ZEV
- Percentage of Corporate division funded fleet that are ZEV
- Percentage of ZenAuto funded fleet that are ZEV
- Percentage of Corporate customer orders that are zero emission (BEV/AFV)
- Percentage of Consumer customer orders that are zero emission (BEV/AFV)
- Percentage of Group customer orders that are zero emission (BEV/AFV)
- Average g/km of non-ZEV.

As such we will submit our net zero targets to SBTi by October 2023 at the latest, for validation before the year end.

Disclose Scope 1, Scope 2 and if appropriate, Scope 3 GHG emissions and the related risks.

We disclose Scopes 1, 2 and 3 greenhouse gas (GHG) emissions on page 33.

Group compliance are responsible for maintaining our emissions inventory. This is based upon the GHG Protocol methodology.

Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

- Committed to achieve net zero by 2050 at the latest through SBTi's Business Ambition for 1.5°C
- Transition 100% of our own company car fleet to BEVs by 2025
- Transition 100% of the 48,000 vehicles we procure for our customers by 2030
- 200 senior leaders to complete Carbon Literacy training in the next 12 months
- Spend at least an equivalent amount (£475m) to the Green Financing Framework on BEVs
- Launch a sustainability engagement programme with our supplier partners in the next 12 months.

We will submit our carbon reduction targets to SBTi by October 2023, for validation before the year end. We have expanded our Scope 3 GHG emissions in this annual report to enable reduction targets to be set. These targets will be included in future disclosures within our annual report.

Compliance with CFD requirements

Our report presented on pages 78 to 83 is compliant with CFD, with the exception of the following:

Strategy

Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a two degrees or lower scenario.

We are yet to complete climate scenario analysis, however we will be completing our assessment in the next 12 months. We will be presenting the findings of this analysis in next year's disclosure. This will include how any of our business strategies may be affected, how we plan to address this, and their potential impact on financial performance and financial position.

Risk management

Describe how processes for identifying, assessing and managing climate-related risks are integrated in the organisation's overall risk management.

Our climate risk register is not yet integrated into the Group's enterprise risk framework. This will be completed in the next 12 months and we will publish this in next year's disclosure.

FINANCE, GOVERNANCE, AND RISK

Finance, governance, and risk

Chief Financial Officer's statement

A year of solid financial performance

Mark Phillips
Chief Financial Officer

Key performance indicators (KPIs)

We use a range of commercial, financial and other KPIs to monitor our business. Our key KPIs are fleet size and growth (both managed and funded fleet) and financial metrics such as gross profit, EBITDA, cash and cash conversion. We use EBITDA (reconciled to our statutory measures in the Glossary at the end of this annual report) as a KPI because it reflects the underlying performance of our businesses.

TURNOVER GROWTH YOY
16.8%

GROSS PROFIT UP
£10.7m
on a like-for-like basis, to £147.0m

RECORD EBITDA
£79.4m

CASH CONVERSION
87.1%

CASH (FREELY AVAILABLE)
£53.9m

Fleet size and growth

	As of 31 March	
	2023	2022
Funded fleet	**76,034**	70,155
Managed fleet	**92,258**	91,886
Total fleet	**168,292**	**162,041**

Our total fleet size increased in the year to 31 March 2023, by 6,251 units or 3.9% versus 31 March 2022. Funded fleet, a key driver of our income and profits, grew by 5,879 units, or 8.4%. This growth was predominantly driven by new deliveries in our Corporate division, where the record order intake of the latter part of FY22 and into the first half of FY23 was realised in new deliveries. The funded fleet in ZenAuto, within our Consumer division, grew by 2,290 units, or 25.9%, which reflected growing brand equity, a developing vehicle range and consumer demand for personal contract hire, with vehicle supply a constraint on growth. The total managed fleet increased in the year by 372 units or 0.4%.

In the last quarter of the year, our total fleet grew from 168,212 units as at 31 December 2022, by 80 units or 0.1% to 168,292. This reflected growth in our Corporate division, as deliveries flowed from the previous record order intake, and slowing but positive growth in Consumer, offset by declines in managed fleet in Commercial.

Comparison of results of operations for the years ended 31 March 2023 and 2022

Turnover

Turnover increased by £99.1m, or 16.8%, to £688.1m for the year ended 31 March 2023 from £589.1m for the year ended 31 March 2022. The increase was primarily due to growth in the Corporate and Consumer divisions, with growth in the former largely driven by an increase in the size of the funded fleet combined with higher vehicle sale proceeds. Overall, growth in vehicle sale proceeds accounted for approximately half of turnover growth year-on-year, and

Financial KPIs

	For the years ended 31 March	
	2023	2022
Turnover	**688,117**	589,058
Gross profit[1]	**146,972**	136,244
EBITDA[1]	**79,405**	74,766
Adjusted operating cash flow	**69,162**	50,603
Cash conversion percentage[2],[3],[4],[5]	**87.1%**	67.7%

Financial KPI notes

1. Gross profit and EBITDA are shown on a like-for-like basis across the periods: that is, before the impact of the change in accounting estimates of residual values of our funded fleet, which is explained further below, and before exceptional items.
2. Cash conversion is based on EBITDA. Adjusted Operating Cash Flow is reconciled to our statutory measures in the Glossary at the end of this annual report.
3. Cash conversion in the year ended 31 March 2022, is not adjusted for the repayment, in instalments from April 2021 to February 2022, of £9m of VAT relating to FY20, which was deferred under the UK government's COVID-19 VAT deferral scheme. Instalments continued to February 2022, by which time the deferred VAT was fully repaid. Adjusting for this VAT effect, Cash Conversion for the year ended 31 March 2022, would be 80%. There is no impact on the year ended 31 March 2023.
4. Higher cash conversion relates to higher rate of funding, particularly via securitisation, of the vehicle fleet at the year end 31 March 2023, than the previous year.
5. Adjusted operating cashflow in the year ended 31 March 2023 includes a one off VAT claim of £12.5m, adjusting for this the cash conversion would be 71% for the year ended 31 March 2023.

Our financial performance in the year ended 31 March 2023 versus the comparative period is explained below. For reconciliations of statutory to non-statutory and KPI-based measures of performance, see the Glossary.

Results of operations

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

	For the years ended 31 March	
	2023	2022
Turnover	**688,117**	**589,058**
Cost of sales (excluding changes to accounting estimates of RVs of fleet fixed assets)	**(541,145)**	(452,814)
Gross profit (excluding changes to accounting estimates of RVs of fleet fixed assets)[1]	**146,972**	**136,244**
Changes to accounting estimates of RVs of fleet fixed assets[2]	**30,821**	0
Gross profit (including changes to accounting estimates of RVs of fleet fixed assets)	**177,793**	**136,244**
Operating expenses	**(67,567)**	(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	**79,405**	**74,766**
Depreciation of owned fixed assets	**(6,370)**	(5,364)
Amortisation of goodwill	**(24,359)**	(24,360)
Amortisation of intangible assets	**(26,806)**	(26,639)
Operating exceptional items[3]	**(4,434)**	(63)
Changes to accounting estimates of RVs of fleet fixed assets[2]	**30,821**	0
Operating profit	**48,257**	**18,339**
Finance costs (net)	**(116,782)**	(118,763)
Finance costs (previous senior debt facilities and current senior notes and RCF)[4]	**(35,459)**	(43,495)
Finance costs (on shareholder instruments)[5]	**(81,324)**	(75,268)
Loss before taxation	**(68,525)**	**(100,424)**
Tax charge on loss	**(2,839)**	(18,858)
Loss for the financial period attributable to the shareholders of the Group	**(71,364)**	**(119,282)**

Results of operations notes

1. We recognise in cost of sales the costs we incur in respect of assets subject to securitised contracts or hire purchase (HP) 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. Gross profit is on a like-for-like basis across the periods: that is, before the impact of the change in accounting estimates of residual values of our funded fleet, which is explained further below, and before exceptional items.
2. We isolate the impact of the change in accounting estimates on vehicle assets to aid the reader of the accounts to understand the underlying performance of the business, as well as to demonstrate the impact of a single, large and subjective item. We explain this adjustment in the narrative below.
3. We recognise exceptional items which in our judgement are considered material individually or in aggregate (if of a similar type) due to their size or frequency or incidence. See note 6 of the financial statements for further details of exceptional items.
4. 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 (RCF), refinanced in January 2022, and similar charges under the current £475m senior secured notes and current £65m RCF issued/arranged in January 2022, and costs incurred in operating the day-to-day banking of the business. Finance costs in the year ended 31 March 2022, includes £7.3m 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.
5. 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.

reflects higher proceeds per unit year-on-year, but lower disposal volumes overall.

Across the divisions, however, the trends varied. The Corporate division saw a decrease in vehicle disposal (termination) volumes of 15.4% or 1,851 units, while the Consumer division saw growth of 1,268 units, which reflected a maturing of the lease life cycles within ZenAuto, notwithstanding the vehicle supply constraints on growth and vehicle disposals, which affected the Corporate division more extensively.

Corporate

Turnover in the Corporate division increased by £30.2m, or 8.4%, to £390.2m for the year ended 31 March 2023, from £360.0m for the year ended 31 March 2022. The increase in Corporate turnover was primarily due to higher vehicle disposal proceeds, particularly on the basis of price per unit. Despite termination volumes declining 15.4% largely due to the relative scarcity of new (i.e. replacement) vehicles, growth in vehicle disposal proceeds accounted for approximately half of revenue growth year-on-year. Price per disposal reflected a full year of buoyant prices for used vehicles, as widely known and reported, for the year ended 31 March 2023; whereas the previous year included only a part-year (approximately three financial quarters) of such conditions, given that the most pronounced and pervasive increase in used vehicle prices occurred during late summer 2021.

Both lease margin revenues and other revenues (such as commission and rebate revenues, and Corporate rental incomes) increased year-on-year, and were driven by various factors, including the relative change in fleet mix towards higher-value battery electric vehicles (BEVs), the higher interest rate environment, growth in funded fleet and higher prices in Corporate rental (again reflecting the scarcity of vehicles in that segment).

Commercial

Turnover in the Commercial division increased by £24.4m, or 13.0%, to £211.3m for the year ended 31 March 2023, from £186.9m for the year ended 31 March 2022. The increase in turnover was due to higher vehicle disposal proceeds offsetting lower revenues from trailer rentals, principally from a reduction in trailer utilisation rates from the historic highs of 90-95% seen in previous years, combined with a reduction in prices per unit. A normalisation of activity towards pre-COVID-19 levels, combined to some extent with weakening in economic conditions and the resulting cautious approach from trailer customers, negatively affected trailer utilisation.

Consumer

Turnover in the Consumer division increased by £44.5m, or 105.7%, to £86.6m for the year ended 31 March 2023, from £42.1m for the year ended 31 March 2022, with the increase in turnover arising in both our ZenAuto and White Label Solutions. ZenAuto growth reflected both higher funded fleet, and thereby higher lease revenues, and higher vehicle disposal revenues arising from both higher volumes and higher prices. Vehicle disposals grew despite difficult market conditions (with some consumers choosing to extend their contracts, and demand for vehicles in auction houses being negatively impacted). In White Label Solutions, the managed fleet increased by nearly 6,000 units, and drove higher fleet management incomes year-on-year.

Cost of sales, before changes to accounting estimates and exceptional items

Group

Cost of sales increased by £88.3m, or 19.5%, to £541.1m for the year ended 31 March 2023, from £452.8m for the year ended 31 March 2022. The increase in cost of sales was primarily due to the higher lease funding volumes (and costs) and higher vehicle disposal proceeds (and book values of vehicles disposed).

Cost of sales represented 78.6% of turnover for the year ended 31 March 2023, compared to 76.9% for the previous year, and reflects a reduction in gross profitability in our Commercial division and a change in business mix towards the Consumer division, where gross margins tend to be lower.

Divisional performance summary

The tables below present a divisional summary of turnover, gross profit and total fleet units by division. The majority of the fleet within our Corporate division is funded (rather than managed), around two-thirds of the fleet within the Commercial division is managed and the majority within our Consumer division is managed (rather than funded) (though noting that ZenAuto's share is growing).

Corporate

(£'000)	For the years ended 31 March 2023	2022
Turnover	**390,218**	360,029
Gross profit	**93,909**	89,089
Total Fleet (units)	**53,517**	52,202

Note: Gross profit for the year ended 31 March 2023 excludes £26.7m as a result of the reassessment of RVs on funded fleet. See explanation of this adjustment below. It also excludes £1.3m of exceptional costs in the year, which are described below. This ensures the figures for each year are more comparable.

Commercial

(£'000)	For the years ended 31 March 2023	2022
Turnover	**211,296**	186,932
Gross profit	**32,403**	33,535
Total Fleet (units)	**46,767**	49,692

Consumer

(£'000)	For the years ended 31 March 2023	2022
Turnover	**86,602**	42,097
Gross profit	**20,659**	13,620
Total Fleet (units)	**68,008**	60,147

Note: Gross profit for the year ended 31 March 2023 excludes £4.2m as a result of the reassessment of RVs on funded fleet. See explanation of this adjustment below. It also excludes £3.3m of exceptional costs in the year, which are described below. This ensures the figures for each year are more comparable.

Cost of sales after changes to accounting estimates for RVs included £119.8m of depreciation of securitised, HP and operating lease assets and £24.5m of funding costs of securitised and HP assets. (The increase year-on-year partly reflected higher interest rates on new vehicles into the securitisation, but also growth in the values of vehicles sold into the programmes, and in the value of loans advanced against those assets, which were approximately one-third higher by the end of the year than at the start).

Depreciation of such assets was reduced by £30.8m from what scheduled depreciation would otherwise have been, because we reassessed the RVs of our funded fleet, increasing RVs, and thereby reducing depreciation charges. This is a change of accounting estimates (residual values), rather than a change of accounting policy, and is our obligation under FRS 102 accounting standards, in the context of a sustained period of material, prolonged increases in market prices of used vehicles. We identify and isolate the impact of this change, so that readers of our accounts can compare the current year to previous years on a like-for-like basis.

Cost of sales represented 76.9% of turnover for the year ended 31 March 2022, and included £119.1m of depreciation of securitised, HP and operating lease assets and £11.5m of funding costs of securitised and HP assets. The cost of funding of securitised and HP assets related only partly during that year to the new securitisation structure, implemented in August 2021; and then the increase in interest rates on newly funded vehicles that we delivered since the increases to interest rates during the year ended 31 March 2022.

Gross profit, before changes to accounting estimates and exceptional items

Group

Gross profit increased by £10.7m, or 7.9%, to £147.0m for the year ended 31 March 2023, from £136.2m for the year ended 31 March 2022. The primary drivers of growth were: increased contribution from the Corporate division, arising from funded fleet growth, RV profits and higher contribution from our daily rental operation; and to a lesser extent, higher contribution from the Consumer division, as the managed fleet increased, despite the challenges of the supply chain in the first half of the year.

Termination profits (i.e. profits on disposal of vehicles on termination, 'RV profits') increased £7.2m, or 18.7%, to £45.4m, for the year ended 31 March 2023. The volumes of terminations during the year ended 31 March 2023, decreased by 3.2%. This reflected a material decrease in termination volumes in Corporate, which were down 15.4% year-on-year (driven by scarcity of replacement vehicles), but more than offset by an increase in terminations in ZenAuto, which increased by 1,268 units (or more than 230%) year-on-year, and which reflects the maturing of that business, with more vehicles coming back from first leases. Overall, RV Profits represented 31% of gross profit, up from 28% in the previous year, and largely reflects a full year of sustained, supernormal used vehicle prices in the market, whereas the year ended 31 March 2022 reflected approximately three quarters of such elevated prices.

Other key increases relate to volume growth in funded fleet (in Corporate and Consumer) and managed fleet (in Consumer) and relate to in-life incomes such as tyre rebates, and service and maintenance incomes. This was offset by lower incomes in Commercial from our trailer rental business and the effect of cost of sales pressures on our direct maintenance operations in that division.

Corporate

Gross profit in the Corporate division increased by £6.5m, or 7.3%, to £96.4m for the year ended 31 March 2023, from £89.9m for the year ended 31 March 2022. A significant driver of this increase was the increased sales prices of used vehicles, the effect of which had a full year impact on the current year, whereas the impact was for only a partial year (approximately eight months) in the preceding year. The annual rate of profit per unit was the key driver in Corporate growth, and more than countered a reduction in volumes of terminations in the year, as replacement vehicles were scarce as the automotive industry's supply chain challenges impacted the first half of the year in particular.

In addition, the division benefitted from the performance of our daily rental business, which saw higher demand for lead-in vehicles as drivers waited for new, leased vehicles, and took a short-term rental vehicle as a temporary substitute.

Lease margin was negatively affected by the impact of increasing swap rates over the year, despite growing volumes of funded fleet. We delivered significant volumes of vehicles, particularly in the second half, that had been priced when interest rates were low and stable, but were delivered and funded (substantially later than expected, because of lengthening and variable lead times) at higher swap rates. We took the decision to stand by these prices for drivers, rather than exercise our option to reprice vehicles, and the result was that lease margin on new deliveries was lower (lease margins on existing fleet was unchanged, as a result of the interest rate hedges we previously put in place when those vehicles were delivered).

Commercial

Gross profit in the Commercial division decreased by £2.8m, or 8.7%, to £29.9m for the year ended 31 March 2023, from £32.7m for the year ended 31 March 2022. The decrease in Commercial gross profit was primarily due to the impact of the normalisation of activity towards pre-COVID-19 levels, and the inflationary cost pressures on our direct maintenance operations (i.e. workshops and mobile units). The softening in demand reduced trailer rental utilisation rates, and (to a lesser extent) put downward pressure on rental yields, from the historic highs that we had seen in the year ended 31 March 2022. Customers chose to be more cautious about renting trailers, to reduce the possibility of them becoming unutilised or underutilised, when demand for groceries, online deliveries and parcels normalised. Fleet volumes were also relatively flat in Commercial, which put pressure on gross profit, given the inflationary cost environment.

Consumer

Gross profit in the Consumer division increased by £7.0m, or 51.7%, to £20.7m for the year ended 31 March 2023, from £13.6m for the year ended 31 March 2022. The increase in gross profit was primarily caused by the increase in the size of the managed fleet in White Label Solutions, where the second half of the year saw higher deliveries as the supply chain difficulties eased. ZenAuto's contribution to the Consumer division's performance also reduced the rate of gross profit (as a proportion of turnover), since the personal contract hire business has margins more similar to a traditional leasing business, whereas White Label has a fee-for-service model, with minimal cost of sales.

ZenAuto's incomes increased again this year, but at a slower rate than previous years, as the supply chain difficulties in the first half of the year were replaced by a marked deterioration in consumer demand in the second, as consumers postponed purchases of 'big ticket' items. Despite this environment, ZenAuto's fleet increased to more than 11,000 units, and we saw the positive effects of ZenAuto consumers returning used vehicles to us (generating record RV profits) and the majority of those customers taking a replacement lease with ZenAuto, that is, becoming repeat customers.

Changes in accounting estimates

Under FRS 102 (as under international accounting standards), we are obliged to reassess RVs of fixed assets, and therefore depreciation, where there has been an indication of change to those RVs, such as changes in market prices. The significant and sustained increase in used vehicle prices (mainly during the year ended 31 March 2022) obliges us to reassess (and reset) RVs on our funded fleet to the extent that those assets are accounted as fixed assets. We have made this reassessment as at 1 April 2022, and then tracked this cohort of vehicles on a quarterly basis through the year ended 31 March 2023, as a change in accounting estimates, with a subsequent impact on our profit and loss account for the year ended 31 March 2023 of £30.8m. The year ended 31 March 2022 is unaffected.

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 EBITDA, as adjusted to exclude this change in accounting estimates, is a more representative and appropriate measure of our operating results, profitability and ability to service debt.

It also has no impact on the commercial decisions or positions that we take on pricing RVs or writing new business. We will continue to report the same turnover 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.

Operating expenses

Operating expenses increased by £6.1m, or 10.0%, to £67.6m for the year ended 31 March 2023, from £61.5m for the year ended 31 March 2022.

The increase in operating expenses was primarily due to: i) investment in our people, processes and systems that enable the Group to accommodate future growth (particularly as the Corporate division started to deliver the previous record order bank), and to move the former Cartwright businesses to a more mature footing); ii) inflation in people costs, technology costs and other variable costs; and iii) the investment in our ZenAuto business as it becomes more mature. These three factors all carried significant impacts on our overheads during the year.

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.

Exceptional items

Exceptional items are those costs or income that we judge are material individually or in aggregate (if of a similar type) due to their size or frequency or incidence. In the year ended 31 March 2023, we incurred exceptional costs of two types: i) in the write-down of new vehicle stocks purchased for the ZenAuto and salary sacrifice selling channels; and ii) in market assessment and due diligence connected to two potential acquisitions which were considered by the Group, but were aborted. In respect of the former, with a value of £3.1m, we incurred a material, one-off, write-down to new vehicles recently purchased, and held as stock for the ZenAuto and salary sacrifice (Corporate) channels; the shortage of vehicles in the current and previous years encouraged us to purchase vehicles to stock for these selling channels to a greater extent than before, to ensure that we could service buoyant demand. At the end of 2022 and early into 2023 it became clear that the market had turned sharply, for new vehicle stocks (of particular marques and models).

Finance costs

Finance costs for the year ended 31 March 2023, reflect the cost of the existing senior secured notes, RCF and associated costs, unlike the year ended 31 March 2022, which reflected ten months of expenses and obligations under the previous term debt and RCF, which were refinanced in January 2022.

Finance costs decreased by £2.0m, or 1.7% to £116.8m for the year ended 31 March 2023, from £118.8m for the year ended 31 March 2022. The decrease in finance costs was primarily the result of the lower financing cost of the senior secured notes compared to the previous term debt package, arising from the refinancing in January 2022, though this was offset by the annual compounding of interest under the shareholder loan notes and preference shares (both of which are non-cash returns, and shareholder debt). The effect of such compounding was to increase finance charges by £6.9m in the year ended 31 March 2023. Finance charges in the year ended 31 March 2022, reflect a charge of £7.3m related to the (non-cash) write-off of the balance sheet value of arrangement fees and expenses incurred when the previous debt facilities were arranged in 2017.

Tax charge

Tax charge for the year ended 31 March 2023 was £2.8m, down from a charge of £18.9m for the year ended 31 March 2022. The change in tax result was primarily due to the effect of corporation tax rate changes on deferred tax balances (i.e. a non-cash item), which occurred during the year ended 31 March 2022, and which distorted the tax results for that year. The current year tax results partly reflect an increase in profits subject to tax and an increase in the expenses not deductible for tax purposes in the year ended 31 March 2023, though this is masked by the £19.5m impact in the previous year (to 31 March 2022) of the changing headline corporation tax rates in that year.

Facilities funding our fleet

Fleet leasing is a capital intensive business and requires continuous access to different funding sources on attractive terms in order to fund growth, refinance the funded fleet as each vehicle lease matures, and to generate 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 or HP 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.

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

In November 2022 we extended the tenor of both of these securitisation facilities, by a little over one year, to November 2025, and also increased the funding commitments of the non-bifurcated securitisation by £250.0m to £975.0m. We were very pleased with this outcome, given the challenges of the credit markets in calendar year 2022, and that we were able to maintain the prevailing terms and conditions (including pricing) of the facilities, despite those market conditions. This speaks volumes for the strength of the credit quality and performance of these securitisation programmes.

On 31 March 2023, we had drawn £715.2m on our securitisation facilities (31 March 2022: £532.8m). We had also drawn £144.4m on our RV facilities (31 March 2022: £139.1m) 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 £1,130.3m (£975.0m in respect of bifurcated and non-bifurcated securitisation facilities, plus £155.3m of RV facilities for the bifurcated programme).

Back-to-back HP funding is an arrangement whereby we buy a vehicle through a HP contract funded by a financier and lease it on contract hire to customers on corresponding terms. As of 31 March 2023, we had drawn £147.7m of funding commitments pursuant to back-to-back HP agreements with financiers (31 March 2022: £74.1m).

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 at 31 March 2023, we had utilised approximately £159.8m of agency funding (31 March 2022: £105.7m).

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 RCF in the amount of £65.0m. As at 31 March 2023, our RCF was undrawn. As such, the financial covenant test under the facility was not tested.

The Group had an aggregate cash balance as at 31 March 2023 of £72.2m (31 March 2022: £60.2m), of which £18.3m (31 March 2022: £9.3m) 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 31 March 2023, of £53.9m (31 March 2022: £51.4m), in addition to the undrawn capacity on the £65.0m RCF.

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.

	For the years ended 31 March 2023	2022
Net cash inflow from operating activities	**179,176**	175,182
Tax paid	**(4,493)**	(1,156)
Net cash flows used in investing activities	**(323,519)**	(252,948)
Net cash flows from financing activities	**160,855**	119,876
Net increase in cash and cash equivalents	**12,019**	40,955
Cash and cash equivalents at start of period	**60,168**	19,213
Cash and cash equivalents at end of period	**72,187**	60,168

Net cash inflow from operating activities

Net cash inflow from operating activities increased by £4.0m, to £179.2m for the year ended 31 March 2023, from £175.2m for the year ended 31 March 2022. This increase was primarily due to an increase in operating profit for the year of £30.0m, much of which is an increase in profit on sale of tangible fixed assets, with a net £9.3m inflow from changes in receivables and payables primarily caused by a VAT reclaim of £12.5m received during the year. During the year ended 31 March 2022, £9.2m of the change in net cash inflow related to the repayment of VAT that was deferred under the COVID-19 VAT payment deferral scheme. There were no such VAT deferrals impacting the year ended March 31, 2023.

Tax paid

Tax paid increased by £3.3m, to £4.5m for the year ended 31 March 2023, from £1.2m for the year ended 31 March 2022, as tax payments reflected a normal pattern of payments on account for corporation tax, and adjustments from previous years' instalment payments.

Net cash flows used in investing activities

Net cash flows used in investing activities increased by £70.6m, to a cash outflow of £323.5m for the year ended 31 March 2023, from a cash outflow of £252.9m for the year ended 31 March 2022. This increase was primarily due to a higher volume of vehicles purchased (and funded) at higher prices than in previous years, combined with increased capital expenditure on non-vehicle assets, such as capitalised IT development costs and IT hardware.

Net cash flows from/(used in) financing activities

Net cash flows (used in)/from financing activities increased by £41.0m, to a cash inflow of £160.9m for the year ended 31 March 2023, from a cash inflow of £119.9m for the year ended 31 March 2022. The prior year included a net inflow of £40.8m via the drawing of the new senior secured notes of £475m, offset by the repayment of the previous senior term debt facilities. The former debt facilities were refinanced in January 2022.

Off balance sheet arrangements

At 31 March 2023, our only material off balance sheet arrangement relates to vehicles funded through agency arrangements. For such vehicles, only the commitment to repurchase the vehicle at the end of the lease for the RV is recognised on the balance sheet. As of 31 March 2023, the outstanding balance of vehicles subject to repurchase arrangements through such agency arrangements was £69.1m (31 March 2022: £36.9m), reported as 'Vehicles subject to repurchase agreements'. By contrast, the outstanding rentals balance is reported on the agency funder's balance sheet.

Mark Phillips
Chief Financial Officer
28 July 2023

Safeguarding success through effective risk management

We have a well-developed risk management process with clear responsibilities for monitoring and managing risks that may impact our business.

Risk management process

The following model shows our approach to risk – from identification of the risks we face, through our assessment, to how we monitor and deal with risks.

Risk identification
What is the risk?

Risk assessment and quantification
How big and how likely is it?

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

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

Risk management framework

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

Read about our decision-making structure in detail on page 93.

First line of defence

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

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

Second line of defence

Comprised of compliance and other functions.

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

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

Third line of defence

Independent assurance on the effectiveness of governance, risk management and internal controls, including first and second line of defence controls.

"Risk management is critically important; we have dedicated committees, executives, and structures to identify, monitor and mitigate risk wherever possible. Due to the dynamic demands of our stakeholders, and wider macroeconomic and climate pressures, it is a constantly evolving process."

Manisha Patel
Assistant General Counsel and Group Secretary

Responsibilities

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

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

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

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

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

Risk management continued

The table below shows our recurring risks and how we govern and control them.

Risk	Why is it a risk to Zenith?	Potential impact of risk	Risk appetite	Controls	Governance	Notable events in the year
Interest rate risk	The majority of Zenith's contracts are based on fixed rates which we finance initially at variable rates. Additionally, we price vehicles at the point of order, based on the prevailing market interest rates. Interest rates may change between the order date and the date the vehicle is purchased and then funded.	Ability to deliver profitable growth. Ability to service debt on vehicle funding or other forms of debt. **Strategic linkage:**	Low	We implement a combination of interest rate swaps and other derivatives to reduce exposure to within our risk appetite level. We regularly monitor our exposure to interest rates and perform sensitivity analysis periodically to assess ongoing risk level. Securitisation facilities include an obligation to transact interest rate hedging (using caps and swaps). Term debt is based on fixed rate.	Policy and approach governed at Board level. New contractual obligations subject to delegated authority and directorial involvement in review process.	Interest rates have increased significantly this year, stabilising towards the end of the year.
Residual value risk	Zenith provides contract hire products to customers, whereby the vehicle ownership reverts to Zenith at the end of the contract; we take the risk/reward of selling that vehicle for more than the carrying value in our books.	Volatility in profits and cash flows, driven by fluctuations in demand and supply of used cars and resulting impact on prices. Ability to service debt on vehicle funding that is linked to the residual value (RV). **Strategic linkage:**	Medium	Residual Value committee determines policy, approach and decision making. Separation of RV risk team, RV decision making and reporting lines from customer-facing roles (including the sales, CRM and new business teams), ensuring independence and eliminating any possible conflict of interest. RV risk team comprises experienced individuals in various fields (e.g. data science), not just in the automotive field.	Residual Value risk committee sits quarterly and reports to enterprise risk committee.	RVs reduced from their abnormal highs, due to supply unlocking and cost of living crisis dampening demand. RVs on BEVs were also adversely affected by the price of new cars reducing. RVs on internal combustion engines (ICE) vehicles were more stable.
Maintenance risk	Zenith provides at-risk maintenance products to customers, i.e. Zenith takes the reward of a monthly payment, in return for assuming maintenance risk on behalf of customers.	Ability to deliver profitable growth. Ability to service debt on vehicle funding or other forms of debt. **Strategic linkage:**	Medium	As per residual value risk above. In addition, we mitigate risk via contractual positions with customers, e.g. commitments regarding mileage or vehicle use/condition.	As per residual value risk above.	A reduced mileage profile across the fleet means there is less maintenance spend. Latest forecasts have inflationary uplifts applied to parts and labour.
Credit risk	Zenith provides financing to customers that is, in most cases effectively back-to-back with funding arranged with third parties; if customers cannot meet their obligations to Zenith, the business must nonetheless meet its obligations to the funder, in essence taking a credit risk on the customer.	If a customer delays payment or defaults on its payment obligations, Zenith may incur losses and adverse cash flows in respect of this customer. **Strategic linkage:**	Low	Credit committee determines policy, approach and decision making. Separation of credit risk team, credit decision making and reporting lines from customer-facing roles (including the sales, CRM and new business teams), ensuring independence and eliminating any possible conflict of interest. Credit risk team is comprised of experienced individuals in financial analysis and credit risk management. In the case of consumer credit (ZenAuto), there is a technology led approach to risk assessment and a high bar for credit applications, with relatively minimal scope for intervention.	Policy and approach governed at Board level. Policy and practice that all new business is, first, subject to credit risk assessment by the credit risk team before accepting a new customer. Regular reviews of all corporate customers each financial year. In the case of ZenAuto, regular review of credit applications from customers each financial year.	No substantial defaults or delinquencies during the year, either on a corporate or consumer basis.

Our strategic pillars

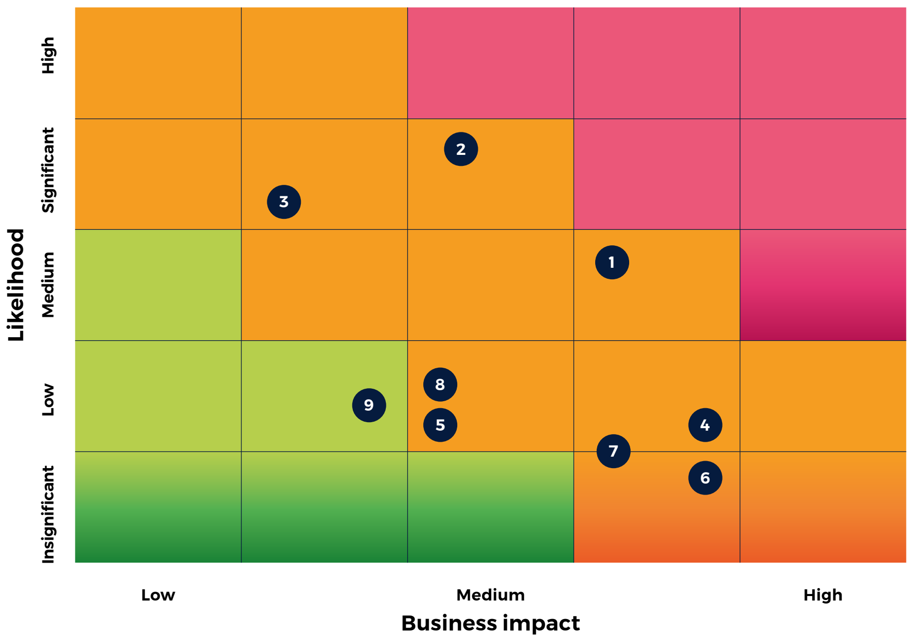
- Be pre-eminent in our chosen markets
- Embed sustainability throughout the business
- Be the employer of choice in our sector
- Make a positive impact on society
- Create value for our stakeholders

Risk	Why is it a risk to Zenith?	Potential impact of risk	Risk appetite	Controls	Governance	Notable events in the year
Liquidity risk	Zenith relies on available cash and debt resources to manage its finances on a day-to-day basis, but also to act as a backstop to any funding need in respect of growth or refinancing of the vehicle fleet. Zenith also relies on its funding providers to deliver operational liquidity.	Ability to deliver profitable growth. Ability to service debt on vehicle funding or other forms of debt. Ability to fund strategic initiatives. **Strategic linkage:**	Low	Customary treasury and cash controls, such as planning and forecasting cash, liquidity and vehicle funding needs. Close monitoring of vehicle funding facilities to mitigate risks of non-compliance and any risk of shortfalls in funding availability against asset classes or customer categories.	Policy and approach governed at Board level. Funding committee (linked to credit committee). Board level oversight and review of ongoing compliance and any proposed, material changes to funding capacity or liquidity.	Securitisation facilities were extended by £250m in Q3 FY23. Back-to-Back and agency funding facilities were increased by £82m during the year.
Information security risk	Zenith is a technology-led business, with services founded on IS/IT solutions that deliver valuable services for customers.	Ability to deliver profitable growth. **Strategic linkage:**	Low	Controls identified and deployed in line with best practice guidance and externally validated through adherence to internationally recognised standards.	Policy and approach governed at Board-level, with oversight and review of ongoing compliance.	Continuation of our migration to the cloud delivering and enabling further risk reduction and improved service stability.
Regulatory compliance risk	Zenith includes entities that are authorised and regulated by the Financial Conduct Authority. They provide regulated products and services in its Corporate and Consumer divisions.	Ability to deliver profitable growth. **Strategic linkage:**	Low	Systems, processes and controls are described in the Governance section of this report. In addition, the general control environment described in this Risk management section applies particularly to this risk.	Policy and approach governed at Board level. Board level oversight and review of ongoing compliance and any proposed, material changes to regulated products and services.	No material events or changes.
Health and safety risk	Within our Commercial division, in particular, we operate depots, workshops and mobile units that expose our employees to inherent risks of accident or injury. Elsewhere within the Group, our employees tend to be office or home-based and such risks are not relevant or more remote.	Ability to deliver profitable growth and positive cash generation. Ability to retain and care for our employees. Reputational and compliance risks. **Strategic linkage:**	Low	Risks are assessed, monitored and controlled via the health & safety committee. Day-to-day operations are controlled and monitored by designated health & safety employees within the business. Whistleblowing hotlines, employee forums and other means of communicating health & safety risks or concerns.	Policy and approach governed at Board level. Health & safety committee sits monthly.	Further investment in the health & safety compliance of our Commercial sites. We had one reportable incident at one of our workshops but no other material events during the year.
Counterparty risk	Zenith is reliant on external banking counterparties to: i) hold its liquid assets in the form of cash; ii) provide contingent liquidity via the RCF and iii) to provide derivatives for its securitisation programmes.	If a party defaults on its obligations Zenith may incur losses or find liquidity unavailable. **Strategic linkage:**	Low	Exposures are to either UK clearing banks or non-UK Global Systemically Important Banks and are monitored regularly.	Policy and approach is governed at Board level. All derivatives are transacted under existing ISDA agreements.	While not relating directly to Zenith, there have recently been a small number of banking failures (e.g. Silicon Valley Bank, Credit Suisse) which have threatened the recoverability of deposits and commitments to their customers.

As part of our climate risk framework implementation and rollout of our Sustainability Strategy we acknowledge that the Group is not immune to physical and transition climate-specific risks. Our ESG and Enterprise Risk Committees are working on the best way of reporting on these and they will be added to our website in due course. Further information on our climate related risks can be found in our TCFD section on pages 78-83.

Risk management continued

Recurring risks



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

Additional risks

In addition to the recurring risks noted above, there are a number of other, more temporary risks that were faced by the business in FY23. These are noted below, including actions taken where appropriate.

Automotive industry supply chain risks

Supply of vehicles in early FY23 was constrained due to a number of factors, most notably the residual impact of COVID-19 on production and logistics of supply, and the start of the war in Ukraine. The consequences are varied but include rising prices for used vehicles (partly caused by the absence of the sufficient supply of new vehicles), the retention of existing vehicles by owners who would otherwise have disposed of their vehicle and, therefore, lower volumes of deliveries and terminations.

Over the past 12 months the average lead time to manufacture a vehicle has reduced and become more stable as these pressures have somewhat subsided, resulting in more predictable vehicle deliveries. While lead times have improved, they are still at levels higher than historical norms.

The Board takes these developments seriously and keeps the changing nature of this risk under review, particularly in terms of its impact on Zenith's performance and prospects, and delivery of its strategy.

Pricing risks

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

Therefore, in a market where the time between order and delivery have been stable, and in economic circumstances where future movements in interest rates have been foreseeable, pricing and margin erosion risk has been relatively low. However, with longer lead times and interest rates rising, as was experienced in FY23, the risk of margin fluctuation has increased. We manage this risk through the oversight of the pricing committee and regular margin reviews.

With a funded fleet comprising 32% battery electric vehicles (BEVs), and an order bank with 47% BEVs, Zenith is ahead of wider public trends in terms of its move away from ICE vehicles. While BEVs tend to attract lower front-end discounts and higher average purchase costs we anticipate a positive impact from new and emerging brands starting to deliver alternative BEVs 'at scale', foreseeing a positive effect on competition and a reduction in overall vehicle acquisition costs. Similarly, as charging infrastructure improves and we move closer to the planned 2030 ban on ICE vehicle production, we expect a normalisation of the position of BEVs in the used market as they become the mainstream choice for buyers of used vehicles, supporting demand and residual value.

STRATEGIC LINKAGE

Inflationary and macroeconomic risks

The challenging macroeconomic environment shaped by Brexit, COVID-19, and the war in Ukraine continued throughout 2022. Inflation grew to reach double digits through most of the second half of 2022, and has stubbornly remained there throughout early 2023. Efforts to reduce inflation through rapid interest rate rises appear to have had limited effect, with inflation regularly exceeding expectations; fuelling the need for further rate rises. Meanwhile the increased costs to consumers and businesses, intensified by the speed of change, rapidly impacted disposable incomes, causing a 'cost-of-living crisis'. In March 2023 the government estimated that real household disposable income per capita in the UK had fallen by 3.7% over the 2022/23 fiscal year.

Our strategic pillars

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

More recently, the economic challenges faced in 2023 have moderated somewhat, as the impact of COVID-19 has largely finished and the economy has adapted to the challenges presented by Brexit, the geopolitical situation, and also the mini-budget in September 2023. Consumer confidence, though remaining negative, has risen throughout early 2023. Expectations are for a slowdown in inflation over 2023; Capital Economics is, at the time of writing, forecasting a rate of 3.7% by December 2023. Interest rates, consequently, are expected to peak later this year, with a small contraction in GDP.

The Board closely monitors the development of the macroeconomic environment and its impact on its customers, suppliers and the vehicle financing markets. It considers that the diversity of the Group to different end markets, customer types and product solutions, combined with the longer-term nature of our income streams and the focus on the prime end of the market should largely mitigate the impact of these challenges.

STRATEGIC LINKAGE

Pay inflation

Our focus on and investment in talent acquisition, planning and implementing recruitment well in advance of time and the implementation of our new digital recruitment platform meant that we actively managed our way through last year's recruitment and labour market risks.

Looking ahead, the people risk we now face relates to **pay inflation**. The resulting impact on our strategic plan is a growth in overhead cost within both the existing colleague base and growth roles.

We are taking proactive action to adapt and change to mitigate this risk. This includes implementing ongoing efficiency initiatives, ensuring all roles across the Group are paid at least the real Living Wage, the purchase of a pay benchmarking tool along with external insight to ensure we are competitive when looking across our sector (not paying above or below) and utilising our pay review process to ensure we focus on areas that require additional investment rather than a traditional 'blanket award'. We also continue to focus on ensuring we have the right ratio of managers to colleagues; within a relatively flat structure – to ensure we are operationally effective.

These measures, along with investment in systems and data to automate work, are having a positive impact. Despite the risk, our labour turnover is 2% lower than pre-pandemic levels; retaining our talent in a tight labour market suggests we are not falling behind in terms of pay. Our engagement levels are static year-on-year; our annual survey includes measurement of satisfaction on pay, and our last survey saw an improvement of 1% in our colleagues assessment of the fairness of their pay and reward. However, we recognise that this will be an ongoing pressure as colleagues see the long-term impact of the cost of living and prolonged inflation.

STRATEGIC LINKAGE

Risk management continued

Residual value risk management

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

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

2022-23 FLEET DISPOSALS

69%

of Zenith cars sold at auction through FY23 ICE derivatives

2019 ELECTRIC CAR FLEET

12

model derivatives on funded car fleet

2023 ELECTRIC CAR FLEET

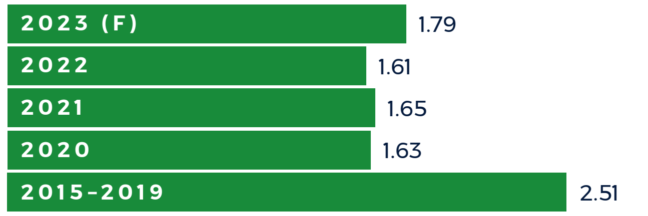
62

model derivatives on funded car fleet

In 2019, Zenith's entire BEV fleet was composed of 12 models. As the market offering has developed, Zenith's current BEV fleet has become more diverse and now comprises 62 unique models.

TOTAL UK USED VEHICLE SALES (CARS IN MILLIONS)

TOTAL UK NEW VEHICLE REGISTRATIONS (CARS IN MILLIONS)[1]



[1] SMMT

Strategy and approach

Fundamental to Zenith's RV position are:

- A consistent approach to RV setting from the start of the business
- A diversified portfolio of assets (i.e. all drivetrains, makes, marques and models)
- An expectation from our customers that we manage risk appropriately and provide consistency in pricing, without undue fluctuations from used vehicle market movements
- An acknowledgement that our vehicle funders (who fund against vehicle RVs) expect consistency of approach and RV setting that is within historical parameters
- The utilisation of a wealth of in-house empirical data on RV performance (by make, marque, model and drivetrain) and on remarketing performance (Zenith's disposal performance versus market benchmarks)
- The careful selection and application of third-party data, to benchmark our own positions and performance, and (separately) to forecast RV equity positions based on our book
- The consistency of our approach and policy, in setting RVs and in managing remarketing of vehicles, can be illustrated most clearly through our track record. We have achieved profits on our disposals in all but three months of our 30+ year history; those three months immediately followed the Lehman Bros collapse. We have achieved this track record through numerous economic cycles and various automotive market conditions.

Market conditions in FY23

FY23 has been a period of contrast for the used car market. The first half of the year continued in the same vein as FY22 with values driven upwards by strong economic recovery in an early post COVID-19 environment and an undersupply of used cars in the market caused by declining new car registrations since 2020. As a result, used car values continued to rise and remained at record highs for several months.

The second half of the year was more polarised depending on fuel type. Electric vehicle values have declined from a previously elevated position. This is the result of:

- The cost-of-living crisis and resulting squeeze on expenditure which has meant consumers have trended away from higher value vehicles such as premium BEV models
- An increase in the used supply of premium BEV vehicles, from those initially registered as fleet vehicles from 2019
- Rising electricity prices and public charging costs
- Availability of charging points
- The high-profile price reduction in Tesla models early in 2023 which led to a reduction in prices of new and used BEVs.

However, many of the same factors have contributed towards an increase in the value of traditional ICE vehicles:

- Used car buyers have opted for more affordable models, typically ICE derivatives
- The reduction in fuel prices towards the end of 2022 has contrasted with increased cost of public charging on BEV vehicles, making fuel powered vehicles seem more appealing
- Compared to recent historical standards, there is a general undersupply of two to five-year-old ICE vehicles in the used car market.

Prospects and outlook

Early indications are that supply chain and production constraints remain within the industry, however, we are likely to see improvement in the volume of vehicles registered in the UK market. Independent forecasts suggest the UK car market will grow 11% versus 2022 totals. Though this would still represent a 29% drop against pre-pandemic averages.

It is still the expectation of industry analysts that a gradual return to market norms is unlikely until 2024, and quite likely that volumes will remain lower than pre-pandemic levels for some years beyond that.

Conditions of the used car supply deficit is expected to continue. The scarcity of registrations dating back to 2017 will take years for the used vehicle market to catch up with, especially as used vehicle demand is relatively stable over time. As BEVs approach 20% market share, they remain in relative short supply in the used market, which provides some price support.

YEARS OF CONSISTENT RV PROFITS THROUGH THE ECONOMIC CYCLE

30+ YEARS

STEADY

Governance Report

Corporate governance

"We remain committed to our governance initiatives across the Group and indeed this last year has been no different. With the advent of Consumer Duty, our teams have been reviewing their procedures and processes in detail."

James Edwards
Group General Counsel

Zenith continually focuses on its culture, behaviours and values to ensure that our people deliver good customer outcomes. Throughout 2022 and 2023 we have been undertaking a programme of work to assess our products, services, communications and processes to ensure they deliver good customer outcomes and are in accordance with the new Consumer Duty from the Financial Conduct Authority (FCA).

The Duty consists of an overarching principle and new rules firms will have to follow. For example, it ensures that consumers receive communications they can understand, products and services to meet their needs, fair value, and that the right support is given when needed.

While we already act in the spirit and intent of the new Duty, it has enabled us to further codify our own ways of working and mature our existing procedures.

The deadline for compliance is the end of July 2023 and our teams are well progressed in achieving the requirements set out.

While the Duty is a key and important programme for Zenith, our legal and compliance teams continue to support the wider Group with policy refresh, horizon scanning and three lines of defence implementations. We've set out more information on the Duty in the table opposite, and an update on our wider governance activities in the following pages.

Introducing the principles of the new Consumer Duty

RAISING THE STANDARD OF CONSUMER PROTECTION

NOW

Financial markets don't always work well for consumers and firms are not consistently and sufficiently prioritising good consumer outcomes:

Consumers don't receive the benefits or value they should expect from products and services.	Consumers don't receive the information or help they need, when they need it.

UNDER THE NEW RULES

The new Duty will mean firms focus on getting things right in the first place by:

Always putting good consumer outcomes at the centre of their businesses.	Focusing on the diverse needs of their customers at every stage.

This will mean consumers can make good financial decisions and have greater trust in firms.

HIGHER STANDARDS FOR FIRMS MEANS BETTER OUTCOMES FOR CONSUMERS

CONSUMERS EQUIPPED TO MAKE EFFECTIVE DECISIONS

Getting the information they need at the right time and in a way they can understand.

PRODUCTS AND SERVICES THAT GIVE FAIR VALUE

Firms sell products or services at a fair price that reflects their benefits.

Consumers protected from unreasonably high fees and charges.

HELPFUL CUSTOMER SERVICE

Responsive and accessible customers support.

As easy to switch, cancel or complain as it was to buy the product or service.

PRODUCTS AND SERVICES THAT ARE FIT FOR ALL

With terms and features that match the needs of the consumers they are for.

Products and services work as expected.

Corporate governance continued

Governance in detail

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

In addition, Zenith is subject to various legal and regulatory regimes, including:
- Information Commissioner's Office (ICO)
- FCA
- UK sanctions law
- Money laundering regulations
- Environmental/health and safety regulations.

Zenith's legal, Group compliance and information security teams provide divisional representatives (who have ultimate accountability) with subject matter expertise in the development and maintenance of appropriate financial crime, personal data and information security and FCA regulatory frameworks.

Financial crime framework	Oversight	Training and awareness
Anti-bribery and corruption Anti-fraud Anti-money laundering and counter-terrorist financing Trade sanctions Tax evasion Conflicts of interest Whistleblowing	· Accountability: money laundering reporting officer · Subject matter expert: financial crime compliance officer · Leadership Board: monthly compliance reporting and metrics.	· Mandatory e-learning · Daily questions via Learning Management Systems (LMS) · Interactive workshops · Classroom training · All-colleague emails · Posters and other physical collateral.

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

FCA framework	Oversight	Training and awareness
Senior Manager and Certification Regime (SM&CR) framework FCA policies and processes including vulnerable customers, customer outcomes, creditworthiness and affordability, product governance and complaint handling Three lines of defence model – including operational control frameworks and compliance monitoring/assurance	· Accountability: Leadership Board · Subject matter expert: compliance director · Leadership Board: monthly compliance reporting and detailed management information · Review of detailed conduct risk /customer outcomes management information.	· Group essential e-learning · Daily questions via LMS · Interactive workshops · Regular all-employee communications · Training and competence framework.

Business governance, ethics and non-financial information

Zenith is a business that operates ethically and transparently in all its activities, and expects the same of its supply chain. This approach reflects the culture and values of the business and its people, and we always aim to:
- Treat customers with respect and fairness, and act in line with our values
- Deliver great customer outcomes
- Treat partners and suppliers fairly, and establish long-term relationships that deliver value and high levels of service
- Promote and be an advocate for the industry's environmental impact mitigation activities, and work closely with specialists to ensure that Zenith promotes carbon reduction strategies
- Work closely with government and industry bodies to ensure that we provide consistency and clarity for customers and the market
- Deliver services through professional, trained and happy colleagues.

Financial Conduct Authority

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

All products, services, policies and procedures are aligned with legislation and regulations to ensure that we deliver good outcomes to all our customers. We assess our products, services and interactions with customers to ensure we continually deliver good outcomes. We use conduct risk/customer outcome management Information to assist in identifying any poor outcomes quickly.

We put customers at the heart of everything we do, we focus on their diverse needs at every stage of our relationship. We ensure we provide the right information at the right time, so customers are able to make an informed decision.

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

Vulnerable customers

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

Information security and data protection

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

Data management frameworks incorporate appropriate technical and organisational measures, to comply with relevant law and maintain the confidentiality, integrity and availability of data. The Zenith information security management system is accredited to ISO/IEC 27001:13 and our privacy management framework is underpinned by an assurance model, developed by a recognised professional services and audit company. The privacy management framework is maintained by our Data Protection Officer, who is accredited to CIPP/E and CIPM (IAPP). We utilise a lifecycle model to continuously measure and improve our privacy programme.

We have put in place appropriate technological and organisational security measures to prevent personal data from being accidentally lost, used, or accessed in an unauthorised way, altered, or disclosed. We operate an Information Security Management System (ISMS) which is accredited to ISO/IEC 27001:2013. We use industry-recognised tools and partnerships to secure our network, systems, and software, including web-filtering and data loss prevention tooling, co-location data centres, network intrusion monitoring and a 24/7/365 SOC/SIEM solution, database patching, penetration testing and vulnerability scanning, anti-virus and firewall software, PCI DSS compliant payment software, encryption and anonymisation tooling, where it is appropriate to do so.

In addition, we operate internal policies and procedures that cover access controls and privileged access management, IT acceptable usage, mobile devices, data breach and cyber-attack response plans, business continuity management and physical office controls. We also operate several delegated groups who are responsible for ensuring that systems are stable, secure, available and performant (covering vulnerabilities, patches, business change, project management and development).

Information security and data protection continued

Under the FCA's SM&CR regime, directors of the business are accountable for managing the data in their business areas (referred to internally as 'information risk owners'). They are supported by 'data guardians' who are operational managers acting on behalf of their information risk owner and responsible for delivering mandatory and risk-based activities regarding information security (e.g. access control reviews) and data protection (e.g. data protection impact assessments). In addition, data guardians act as advocates for managing data responsibly and fielding queries from their operational teams. Data guardians and information risk owners are supported with subject matter expertise by the information security team and Data Protection Officer, and chair regular meetings with information risk officers and their data guardians providing metrics, discussing priority actions, and addressing any issues and trends.

Human rights, labour standards and modern slavery

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

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

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

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

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

Equality

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

The policy has three main objectives:

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

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

Financial crime

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

Zenith is committed to conducting business with the highest degree of integrity, fairness and transparency, in full compliance with all applicable laws and regulations. Embedded controls are in operation throughout the business, with oversight conducted by the financial crime compliance officer and the Group anti-money laundering reporting officer. Control adherence is assessed through first line quality assurance programmes and key performance indicators (KPIs) are included in monthly Board packs.

Business continuity

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

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

Tax planning

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

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

Regulatory training

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

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

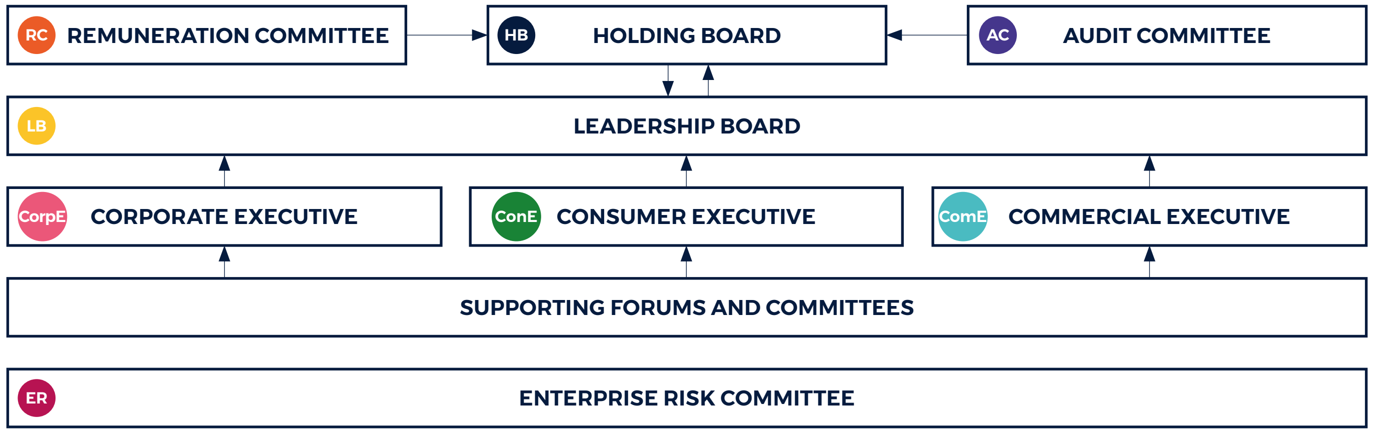
Corporate governance continued

We've implemented our Board and executive structures to ensure clear accountability and reporting lines, but also to facilitate the upward and downward flow of information and oversight.

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

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

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



Board and committee structure and scope

Board/committee		Scope
Holding Board	HB	The Holding Board directs the affairs of the Group taking into consideration Zenith's various stakeholders and interests. It provides strategic governance and challenge as appropriate.
Leadership Board	LB	The Leadership Board is tasked with executing strategy and policy, while also dealing with operational matters.
Audit Committee	AC	The audit committee oversees overall financial reporting, related internal controls and risks, ethics and compliance, the Group audit processes
Remuneration Committee	RC	The remuneration committee sets remuneration policy, determines directors and senior managers total individual remuneration packages and sets targets for performance-related pay.
Corporate Executive **Commercial Executive** **Consumer Executive**	CorpE ComE ConE	The executive committees are responsible for the review and oversight of matters associated with the performance and operation of each division and execution of the strategy. They discuss and act on risks in need of further escalation and examine key performance topics and management information to ensure effectiveness of processes and controls.
Enterprise Risk Committee	ER	The enterprise risk committee is responsible for the review and oversight of matters associated with risk of harm to the Group and its stakeholders. They are tasked with setting and validating the risk appetite, and assessing risks escalated from other committees.
ESG Committee	ESG	The environmental, social and governance (ESG) committee is responsible for the review and oversight of matters associated with the performance and risk management of ESG factors.
Diversity Committee	DI	The diversity committee sets the vision and strategy for equity, diversity & inclusion (ED&I) across the Zenith Group. It coordinates the activities undertaken by employees and focus groups, and supports communications and planning.
Supplier governance and risk forum	SG	The forum assists the Group in identifying and managing third-party risk through the timely and consistent completion of pre-contractual due diligence, in-life auditing and monitoring, and ongoing risk management.
SMR Committee	SMR	The service, maintenance and repair (SMR) committee reviews and evaluates the Group's service, maintenance and repair underwriting controls and benchmarks, to ensure that the Group is taking an appropriate level of risk in these areas across all channels.
Customer Outcomes Committee	COC	This committee is responsible for discussing conduct issues and reviewing management information to assess the extent to which customers are receiving great outcomes, identifying any risks to the delivery of such outcomes and any impact of regulatory change.
Residual Value and Pricing Committees	RVC PRC	The residual value committee (RVC) and pricing committee (PRC) review and evaluate the Group's residual value controls and benchmarks to ensure that the Group is taking an appropriate level of associated risk across all channels. The committees are also responsible for the review and oversight of all customer pricing.
Credit Committee	CC	This committee reviews and evaluates areas of credit risk taken by the Group, mainly via customer credit that is funded via securitisation and back-to-back funding, in order to ensure that the Group is taking appropriate risks according to risk appetite. The committee also takes decisions about how to mitigate such risks where appropriate and is independent of the divisions.
Data protection and information security forum	ISC	These forums combine information risk owners, data guardians, the data protection officer and the information security team to address any risks, and to monitor and mature data protection and information security frameworks.
Health & Safety (H&S) Committee – Commercial division	H&S	The Commercial health & safety (H&S) committee's purpose is to provide, with the support of its advisors, the strategic leadership and governance of H&S within the Commercial division. It sets policies, identifies improvement opportunities, agrees and prioritises the plan of action and ensures those with management responsibility are accountable for H&S.
Colleague forum	CF	The colleague forum is attended by employees from all levels and across all areas of the business. They provide feedback and insight into our working environment, share best practice and input on policy or structure changes as necessary.
Green financing working group	GF	The green financing working group is responsible for the evaluation and selection process of proceeds related to the Zenith's green financing. It screens eligibility criteria and recommends eligible expenditures for inclusion to the ESG committee.

Board of directors

Meet our directors – Holding Board

HB Holding Board
LB Leadership Board
AC Audit Committee
RC Remuneration Committee
ComE Commercial Executive
CorpE Corporate Executive
ConE Consumer Executive
ER Enterprise Risk Committee
ESG ESG Committee
SG Supplier governance & risk forum
COC Customer Outcomes Committee
RVC PRC Residual Value and Pricing Committees
ISC Data protection & information security forums
H&S H&S Committee
SMR SMR Committee
CF Colleague forum
GF Green financing working group
CC Credit Committee
DI Diversity Committee

Meet our Holding Board

Lord Stuart Rose
Chair

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

HB AC RC

Tim Buchan
Chief Executive Officer

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

HB LB AC RC ER ConE DI

Mark Phillips
Chief Financial Officer

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

HB LB PRC CC ConE SMR RVC RC ER AC

Emma Watford
Investor and Bridgepoint Director

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

HB AC RC

Guy Weldon
Investor and Bridgepoint Director

Guy is Group Managing Partner and Head of investment activities at Bridgepoint. He is a member of the firm's Executive Committee, co-chair of the Bridgepoint Europe investment committee and Chair of Bridgepoint Credit. He has worked extensively on private equity transactions across Europe over a thirty year career and served on numerous boards. He is also Chair of the Campaign Board of Durham University.

HB RC

Company Secretary

Manisha Patel
Assistant General Counsel and Group Secretary

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

HB ConE AC ESG COC

Meet our directors – Leadership Board

- HB Holding Board
- RC Remuneration Committee
- ConE Consumer Executive
- SG Supplier governance & risk forum
- ISC Data protection & information security forums
- CF Colleague forum
- LB Leadership Board
- ComE Commercial Executive
- ER Enterprise Risk Committee
- COC Customer Outcomes Committee
- H&S H&S Committee
- GF Green financing working group
- AC Audit Committee
- CorpE Corporate Executive
- ESG ESG Committee
- RVC PRC Residual Value and Pricing Committees
- SMR SMR Committee
- CC Credit Committee
- DI Diversity Committee

Meet our Leadership Board[1]

Ian Hughes
CEO – Corporate Division

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

LB CorpE PRC

Martin Jenkins
CEO – Commercial Division and Group Strategy Director

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

LB ComE RVC H&S

John Tracy
CEO – Consumer Division

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

ConE LB COC

Andrew Kirby
CEO – Rental Services

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

LB H&S

Ian Gibson
Chief Information Officer

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

LB ER ISC ConE

Stuart Price
Chief People Officer

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

LB ESG RC CF DI

James Edwards
Group General Counsel

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

GF CF
ConE LB ER ISC SG ESG

1. During the year Martin Holland, Deputy CFO and Robert Kingdom, Managing Director of White Label Solutions stepped down from the Leadership Board

Directors' report

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

Business review

The directors present their annual report and audited financial statements for the year ended 31 March 2023.

The Group's operating profit before depreciation of owned tangible fixed assets, amortisation of goodwill, intangibles and exceptional items is £79.4m (2022: £74.8m). This measure of profit (EBITDA) is an important key performance indicator (KPI) for the Group.

The Group made a statutory operating profit of £48.3m (2022: £18.3m) and loss after tax for the period of £71.4m (2022: £119.3m), however this was after deducting non-cash items of £51.2m (2022: £51.0m) for amortisation of goodwill and intangibles, and preference share and loan note interest of £76.1m (2022: £69.2m).

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

Directors

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

Tim Buchan, Chief Executive Officer

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

Mark Phillips, Chief Financial Officer

Mark has overall responsibility for the finance functions of the Group. He also leads the Group's Risk Management, Treasury, and Legal and Compliance teams. Before joining Zenith in 1998, Mark was the Group Financial Controller at Holliday Chemical Holdings plc and an Audit Manager with Andersen. Mark holds a BA (Hons) in economics from Newcastle University and is an ICAEW chartered accountant.

Lord Stuart Rose, Chair

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

Emma Watford, Non-executive Director

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

Guy Weldon, Non-executive Director

Guy is Group Managing Partner and Head of investment activities at Bridgepoint. He is a member of the firm's Executive Committee co-chair of the Bridgepoint Europe investment committee and Chair of Bridgepoint Credit. He has worked extensively on private equity transactions across Europe over a thirty-year career and served on numerous boards. He is also Chair of the Campaign Board of Durham University.

Manisha Patel is Company Secretary

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

Directors remuneration under incentive schemes

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

Registered Office

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

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

The directors present their Annual Report on the affairs of the Group, together with the audited financial statements and auditor's report, for the year ended 31 March 2023.

Directors indemnities

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

Results and dividends

No dividends were paid in the year (2022: £nil) and no dividends have been declared during the year or post year end. For discussion on the Group financial performance for the year please refer to the Strategic Report.

Principal risks and uncertainties

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

Future developments

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

Going concern

The Group has considerable financial resources, a broad customer base across different business sectors and diversified income streams. Furthermore, the Group is able to alter elements of its operations and commercial positions, and tactical decision-making, in an agile way, to counter potential negative impacts that arise from the economic environment and within its numerous markets. This has been illustrated in stark terms in the previous three financial years, with improving Group performance despite the effects of COVID-19 and lockdowns, followed by numerous challenges in the automotive industry, and then economic stagnation, inflation at its highest in decades and rising interest rates.

Therefore, the directors believe that the Group is well placed to manage its business risks successfully despite continuing uncertainty about the economic outlook in the UK, high rates of inflation and recent increases in interest rates. This includes the trauma to the financial system and credit markets, in particular, of events such as failures of financial institutions such as banks.

The directors of the Group have considered the adoption of the going concern basis in preparing the financial statements given the 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 (increased in November 2022 to a combined £975 million, and with the tenor extended to November 2025) 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).

The securitisations, by their nature as special purpose vehicles (SPVs), are remote from the Company and the rest of the Group's subsidiaries (i.e. non-recourse, in commercial terms, though we acknowledge that we consolidate the results of these SPVs); the senior secured notes carry no maintenance (e.g. financial) covenants; and the revolving credit facilities carry a financial covenant that is only tested when the facilities are substantially drawn, and, in the event of failing a covenant test, are limited in effect to stopping further drawings on that same facility. These limitations on the trigger and enforcement of such facilities materially reduce the chances of, and implications of, potential negative consequences, if the financial condition or performance of the Group or Company deteriorated.

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. We believe that Zenith is well positioned to navigate any further periods of disruption, uncertainty or deterioration in our chosen markets, the financial markets or the UK economy as a whole.

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

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

Post balance sheet events

There are no post balance sheet events of note.

Charitable and political contributions

During the year the Group made charitable donations of £78,560 (2022: £15,671), principally to local charities serving the communities in which the Group operates. The Group made no political contributions in the year (2022: £nil).

Employees and training

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

Directors' report continued

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

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

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

Energy use and carbon emissions
Energy use and carbon emissions disclosures for the financial year ended 31 March 2023 are included in the Strategic Report. The table below includes our mandatory reporting of greenhouse gas (GHG) emissions based on the energy and carbon reporting framework. This is based on the Group's GHG emissions for the year 1 April 2022 to 31 March 2023, covering both our office sites and business mileage travelled by our employees.

Our methodology used to calculate our emissions is based on the 'Environmental Reporting Guidelines: including mandatory GHG emissions reporting guidance' issued by the Department for Business, Energy & Industrial Strategy (BEIS) and Department for Environment, Food & Rural Affairs (DEFRA). Emissions from purchased electricity includes emissions from business mileage travelled in electric vehicles. We were successful in reducing our scope 1 and scope 2 emissions during the year, for the reasons outlined in the Strategic Report. We improved the reporting of our scope 3 emissions in the year, widening the extent of the emissions that we were successfully able to measure, analyse and report.

GHG emissions	**Year ended 31 March 2023**	Year ended 31 March 2022
Scope 1 emissions (tonnes CO_2e)	**2,070**	3,220
Scope 2 emissions (tonnes CO_2e)	**1,013**	1,115
Scope 3 emissions (tonnes CO_2e)	**214,805**	341[1]
Total greenhouse gas emissions (tonnes CO_2e)	**217,888**	4,676[1]
SECR – Scope 1 and 2 GHG emissions and Scope 3 business travel (tonnes CO_2e)	**3,277**	4,462[1]
SECR – Scope 1 and 2 energy consumption and Scope 3 business car travel (kWh)	**9,631,484**	8,481,793

Our calculations have been made in accordance with the GHG Reporting Protocol – Corporate Standard and using UK Government conversion factors.

The Scope 3 emissions disclosures do not include the emissions from the downstream use and maintenance of our funded fleet heavy goods vehicles (HGV) by our customers. We intend to include this from next year's annual report and accounts.

1 In the year ended 31 March 2022, we measured only a restricted scope of our Scope 3 emissions (due to an absence of the relevant data), but in the year ended 31 March 2023 we have expanded upon the Scope 3 activities that are measured and reported to now include the downstream use of our vehicles by our customers. We will be calculating the remaining Scope 3 activities relevant to Zenith as part of our science-based targets initiative (SBTi) carbon reduction target submission.

Statement on business relationships
The business relationships of the Company are discussed in the S172(1) section of the Strategic Report.

Auditor
Each of the persons who is a director at the date of approval of this report confirms that:
- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

Approved by the Board and signed on its behalf by:

M.T. Phillips

M T Phillips
Director
30 July 2023

Directors' responsibilities statement

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:
- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Section 172

How the Board considered stakeholders during the year

Our purpose, vision and strategy either impacts upon or requires collaboration with our stakeholders, meaning that their priorities, input and engagement are at the forefront of the Board's decision making.

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

The Directors are aware that in order to progress our strategy and deliver on our vision, that stakeholder engagement is vital to understand what matters most to our stakeholders and the likely impact of any key decisions. We have a long history of engaging with all of our stakeholders and the Board continues to greatly value the feedback that this engagement provides. Details of how we engaged with our different groups of stakeholders during the last financial year can be found on pages 24 to 27.

The Board receives an update from the divisional CEOs at each Board meeting which details any substantial engagement since the last meeting. In addition, there are standing agenda items at each meeting to ensure that the Board receive relevant updates on all of our key stakeholders; through regular reports from internal subject matter experts and the divisional CEOs. This is supplemented by 'teach-in' sessions from our key heads of function; such as sales and marketing, customer services, legal and compliance, investor relations, sustainability and supply chain.

The Board is aware that in some situations, stakeholders' interests will be conflicted and they may have to prioritise interests. The Board, led by the chair, ensures that as part of its decision-making process, the Directors assess the impact of the decision on our stakeholders and the likely consequences of any decision in the long term. The infographic on the right shows how the Board approaches its decision making and fulfils its duties under Section 172.

Zenith has a long history of engaging constructively with our stakeholders, and this in turn aligns with the strategy of creating stakeholder value.

On the facing page, we have set out examples of key decisions made by the Board and provided further details about the decision-making process.

Setting our mission, purpose and values
The Board sets the above which dictates how we operate and engage with our stakeholders.

Diverse set of skills, knowledge and experience
Diversity of thought, skills and experience across our senior management supports our ability to consider different stakeholder concerns and make informed decisions.

Board information
Our Board and committee structure ensures all of our stakeholder concerns are passed up to the Board Directors.

Board discussion and decision
Prior to making any strategic decision, the Board will provide rigorous evaluation and risk management to ensure that all stakeholder groups are considered and that it supports long-term sustainable success.

Monitoring
The Board receives regular updates, information and key performance indicators (KPIs) from the sub-boards and committees which ensures that they are aware and conscious of stakeholder concerns.

Our strategic pillars

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

Health and safety investment

The Group will always put the safety of our people and our stakeholders first

"As a Board we sometimes need to make decisions without all the facts, but we will never ever compromise on safety."

Stuart Rose
Chair

Criteria considered
We have a moral and legal obligation to provide a safe working environment for our colleagues, and to continually self-evaluate and strive for improvement in this area. This obligation, however, also extends to our customers and wider stakeholders. We must ensure that our facilities have the correct equipment and procedures in place to create a culture that upholds health & safety and provides colleagues with the best opportunity to work to the best of their ability.

Decision-making process
In 2022 we became aware of a potential defect issue affecting a small number of our Commercial division assets. While we quickly engaged with our customer and suppliers, and appointed forensic investigators, the Board were required to make quick decisions based on what at the time was limited information. Putting the safety of our stakeholders first, we decided to stand down those small number of assets that could be affected until such time as we had established all the facts and undertaken any required remedial action. Both our customer and our people were involved in the process every step of the way and working agilely, we were able to reduce and mitigate any potential risk or impact.

Strategic pillars
- Make a positive impact on society
- Be the employer of choice in our sector
- Be pre-eminent in our chosen markets.

Relevant stakeholders

Supporting our people

We will always seek to invest in our colleagues' wellbeing

"Our colleagues across the Group are our most important asset; and so by investing in them, our business will flourish."

Mark Phillips
Chief Financial Officer

Criteria considered
With the early signs of inflation and utility bill increases at the start of the financial year, the Board were acutely aware of the consequences and challenges this would bring on our workforce and their own personal circumstances. Indeed when the media were just starting to coin the phrase 'cost-of-living crisis', the Board had modelled and analysed the budget requirements to be able to respond with a one-off 2% cost-of-living payment for our entire workforce.

Decision-making process
In collaboration with the people team and Leadership Board, various different options were discussed and considered such that the Group could respond to the growing impact. While the payment was additional to the Group's long-term plan budget, the Board and the Leadership Board agreed it was the right thing to do for our colleagues and were aligned in supporting the initiative. Zenith were one of the first to communicate to its colleagues such one-off payments and were overwhelmingly welcomed by our colleagues.

Strategic pillars
- Be the employer of choice in our sector
- Make a positive impact on society.

Relevant stakeholders

ACCELE-RATE

Financial Statements

Independent Auditor's Report
to the members of Zenith Automotive Holdings Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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

- give a true and fair view of the state of the group's and parent company's affairs as at 31 March 2023 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

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

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Independent Auditor's Report
to the members of Zenith Automotive Holdings Limited continued

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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

M. Bainbridge

Matthew Bainbridge FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Leeds, United Kingdom
30 July 2023

Consolidated profit and loss account
For the year ended 31 March 2023

	Note	**Year ended 31 March 2023 £'000**	Year ended 31 March 2022 £'000
Turnover	3	**688,117**	589,058
Cost of sales		**(514,758)**	(452,876)
Gross profit		**173,359**	136,182
Operating expenses		**(125,102)**	(117,843)
Operating profit before depreciation of owned tangible fixed assets, amortisation of goodwill and intangible assets and exceptional items		**79,405**	74,765
Depreciation of owned tangible fixed assets	4	**(6,370)**	(5,364)
Amortisation of goodwill	4	**(24,359)**	(24,360)
Amortisation of intangible assets	4	**(26,806)**	(26,639)
Operating exceptional items	6	**(4,434)**	(63)
Change of accounting estimates – fleet depreciation	6	**30,821**	–
Operating profit	4	**48,257**	18,339
Finance costs (net)	5	**(116,782)**	(118,763)
Loss before taxation		**(68,525)**	(100,424)
Tax charge on loss	9	**(2,839)**	(18,858)
Loss for the financial year attributable to the shareholders of the Group		**(71,364)**	(119,282)

All results derive from continuing operations.

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

Consolidated statement of comprehensive income
For the year ended 31 March 2023

	Note	**Year ended 31 March 2023 £'000**	Year ended 31 March 2022 £'000
Loss for the financial period		**(71,364)**	(119,282)
Hedge gains arising during period (net of tax impact)	23	**6,910**	13,608
Tax impact of hedge gains	23	**(1,728)**	(3,193)
Reassessment of goodwill on acquisition	11	**–**	(17)
Total comprehensive expense attributable to the shareholders of the Group		**(66,182)**	(108,884)

Consolidated balance sheet
As at 31 March 2023

	Note	**As at 31 March 2023 £'000**	As at 31 March 2022 £'000
Fixed assets			
Goodwill	10	**342,842**	367,201
Intangible assets	11	**348,899**	363,380
Tangible assets	12	**976,958**	726,127
		1,668,699	1,456,708
Current assets			
Inventory	14	**1,115**	1,058
Debtors			
– due within one year	15	**188,525**	135,207
– due after one year	15	**112,781**	75,113
Cash at bank and in hand		**72,187**	60,168
		374,608	271,546
Creditors: amounts falling due within one year	16	**(522,530)**	(406,426)
Net current liabilities		**(147,922)**	(134,880)
Total assets less current liabilities		**1,520,777**	1,321,828
Creditors: amounts falling due after more than one year	17	**(1,690,308)**	(1,423,503)
Provisions for liabilities	18	**(107,154)**	(108,828)
Net liabilities		**(276,685)**	(210,503)
Capital and reserves			
Called up share capital	19	**271,546**	271,546
Share premium account		**2,444**	2,444
Hedging reserve		**12,782**	7,600
Profit and loss account		**(563,457)**	(492,093)
Shareholders' deficit		**(276,685)**	(210,503)

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

The financial statements of Zenith Automotive Holdings Limited (registered number 10574333) were approved by the Board of Directors and authorised for issue on 30 July 2023.

M T Phillips
Director

Company balance sheet
As at 31 March 2023

	Note	**As at 31 March 2023 £'000**	As at 31 March 2022 £'000
Fixed assets			
Investments	13	**32,508**	32,508
Current assets			
Debtors – due within one year	15	**365,696**	344,733
Cash at bank and in hand		**19**	4,020
Creditors: amounts falling due within one year	16	**(4,315)**	(8,101)
Net current assets		**393,908**	340,652
Total assets less current liabilities			373,160
Creditors: amounts falling due after more than one year	17	**(210,547)**	(166,724)
Net assets		**183,361**	206,436
Capital and reserves			
Called up share capital	19	**271,546**	271,546
Share premium account		**2,444**	2,444
Profit and loss account		**(90,629)**	(67,554)
Shareholders' funds		**183,361**	206,436

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

The loss for the year ended 31 March 2023 was £23,075,000 (2022: £19,441,000). As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account or statement of comprehensive income is presented in respect of the parent Company.

The financial statements of Zenith Automotive Holdings Limited (registered number 10574333) were approved by the Board of Directors and authorised for issue on 30 July 2023.

M T Phillips
Director

Consolidated statement of changes in equity
As at 31 March 2023

	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 year	–	–	(119,282)	–	(119,282)
Hedges of variable interest rate risk (note 22)	–	–	–	13,608	13,608
Deferred tax charge	–	–	–	(3,193)	(3,193)
Reassessment of goodwill on acquisition[1]	–	–	(17)	–	(17)
Total comprehensive expense	**–**	**–**	**(119,299)**	**10,415**	**(108,884)**
At 31 March 2022	**271,546**	**2,444**	**(492,093)**	**7,600**	**(210,503)**
Loss for the year	–	–	(71,364)	–	(71,364)
Hedges of variable interest rate risk (note 22)	–	–	–	6,910	6,910
Deferred tax charge (note 18)	–	–	–	(1,728)	(1,728)
Total comprehensive expense	**–**	**–**	**(71,364)**	**5,182**	**(66,182)**
At 31 March 2023	**271,546**	**2,444**	**(563,457)**	**12,782**	**(276,685)**

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

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

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

Company statement of changes in equity
As at 31 March 2023

	Called up share capital £'000	Share premium Account £'000	Profit and loss account £'000	Total £'000
At 1 April 2021	271,546	2,444	(48,113)	225,877
Loss for the financial year and total comprehensive expense	–	–	(19,441)	(19,441)
At 31 March 2022	**271,546**	**2,444**	**(67,554)**	**206,436**
Loss for the financial year and total comprehensive expense	–	–	(23,075)	(23,075)
At 31 March 2023	**271,546**	**2,444**	**(90,629)**	**183,361**

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

Consolidated cash flow statement
For the year ended 31 March 2023

	Note	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Operating profit		**48,257**	18,339
Adjustment for:			
Depreciation charges	4, 12	**124,271**	123,206
Amortisation of goodwill and intangibles	10, 11	**51,165**	51,003
Profit on sale of tangible fixed assets		**(63,908)**	(27,438)
Operating cash flow before movement in working capital		**159,785**	165,110
Capital repayment received from finance lessees		**22,051**	13,168
(Increase)/decrease in debtors		**(53,994)**	9,153
Increase in stock		**(57)**	(74)
(Decrease)/increase in creditors		**52,248**	(12,840)
Increase in provisions		**(857)**	665
Net cash inflow from operating activities		**179,176**	175,182
Income tax paid		**(4,493)**	(1,155)
Cash flows from investing activities			
Proceeds from sale of operating lease assets		**275,964**	209,774
Receipt from unfunded operating lease assets/(purchase of operating lease assets)		**24,729**	(119,186)
Purchase of operating lease assets (funded)		**(611,887)**	(342,867)
Purchase of intangible assets		**(12,325)**	(669)
Net cash flows from investing activities		**(323,519)**	(252,948)
Cash flows from financing activities			
Repayments of borrowings		**(412,806)**	(651,647)
Drawdown of funding		**611,887**	342,867
Interest paid		**(38,226)**	(46,344)
Senior secured notes raised		**–**	475,000
Net cash flows from financing activities		**160,855**	119,876
Net increase in cash and cash equivalents		**12,019**	40,955
Cash and cash equivalents at start of the year		**60,168**	19,213
Cash and cash equivalents at 31 March		**72,187**	60,168

Cash and cash equivalents include amounts in respect of Exhibition Finance plc (formerly Bifurcate Funding Limited) and Vehicle Titleco Limited of a total of £18,251,000 (2022: £9,283,000) that are not freely available for use by the Group.

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

Notes to the financial statements
For the year ended 31 March 2023

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

a. General information and basis of accounting
Zenith Automotive Holdings Limited is a private company limited by shares incorporated in England & Wales under the Companies Act. The address of the registered office is given on page 114. The nature of the Group's operations and its principal activities are set out in the Strategic Report from page 4.

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

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

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

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

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

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

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

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

c. Going concern
The Group has considerable financial resources, a broad customer base across different business sectors and diversified income streams. Furthermore, the Group is able to alter elements of its operations and commercial positions, and tactical decision-making, in an agile way, to counter potential negative impacts that arise from the economic environment and within its numerous markets. This has been illustrated in stark terms in the previous three financial years, with improving Group performance despite the effects of COVID-19 and lockdowns, followed by numerous challenges in the automotive industry, and then economic stagnation, inflation at its highest in decades and rising interest rates.

Notes to the financial statements
For the year ended 31 March 2023 continued

1. ACCOUNTING POLICIES continued

c. Going concern continued
Therefore, the directors believe that the Group is well placed to manage its business risks successfully despite continuing uncertainty about the economic outlook in the UK. This includes the trauma to the financial system and credit markets, in particular, of events such as failures of financial institutions such as banks.

The directors of the Group have considered the adoption of the going concern basis in preparing the financial statements given the 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 (increased in November 2022 to a combined £975m, and with the tenor extended to November 2025) and the senior secured notes and revolving credit facilities (arranged in January 2022, repayable in mid-2027, in the amount of £475m and £65m respectively).

The securitisations, by their nature as special purpose vehicles (SPVs), are remote from the Company and the rest of the Group's subsidiaries (i.e. non-recourse, in commercial terms, though we acknowledge that we consolidate the results of these SPVs); the senior secured notes carry no maintenance (e.g. financial) covenants; and the revolving credit facilities carry a financial covenant that is only tested when the facilities are substantially drawn, and, in the event of failing a covenant test, are limited in effect to stopping further drawings on that same facility. These limitations on the trigger and enforcement of such facilities materially reduce the chances of, and implications of, potential negative consequences, if the financial condition or performance of the Group or Company deteriorated.

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. We believe that Zenith is well positioned to navigate any further periods of disruption, uncertainty or deterioration in our chosen markets, the financial markets or the UK economy as a whole. More details of our strategy and these risks are included in the Strategic Report.

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

d. Vehicle leases
Under FRS 102, a lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. As an indicator of such distinction, our leases are typically for substantially less than the useful economic life of the asset (vehicle), and the present value of the minimum lease payments from customers is substantially less than 90% of the fair value of the value of the asset (vehicle) at the start of the lease. This is supported, in general, by the level of the residual value payments from residual value funders being more than 10% of the initial value of the vehicle.

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

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

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

When a lease contract is amended (such as a lease extension or another form of rescheduled lease), the accounting principles remain the same, such as recognising rental income on a (new) straight line basis over the remaining period of the (amended) contract.

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

e. Property leases
Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

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

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

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

Vehicle sales are measured as sales proceeds net of any directly attributable costs. Vehicle sales, on this basis, are presented within turnover in the financial statements, with the carrying value of the vehicle at disposal included within cost of sales in the financial statements.

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

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

Depreciation is provided on other assets as follows:

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

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

j. Maintenance income and connected costs
For incomes under maintenance contracts, the net transaction price proceeds are allocated as the performance obligations are satisfied over the contractual term of the lease. The allocation is based on historical analysis as well as other available information to enable the Group to forecast maintenance cost profile over the lease term. The difference between the amounts charged to customers and amounts recognised as income is accounted for as deferred maintenance income, within provisions. Cost profiles are reviewed periodically to ensure they remain a fair representation of historical repair and maintenance expenditures, adjusted for reasonable expectations of changes in cost profiles. Deferred maintenance income represents contract liabilities for unsatisfied or partially satisfied performance obligations in relation to service, maintenance and repair services. Deferred incomes also materially represent the transaction price that is allocated to future performance obligations.

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

k. Intangible assets – goodwill
Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and amortised on a straight-line basis over its useful economic life, judged to be 20 years, which is our assessment of the life cycle of continuing trade in our industry and our experience of customer retention and custody in general.

Notes to the financial statements
For the year ended 31 March 2023 continued

1. ACCOUNTING POLICIES continued

l. Intangible assets – customer relationships
Customer relationships are fair valued at point of acquisition, this value is capitalised and amortised on a straight-line basis over its useful economic life, which is judged to be 20 years, which is our assessment of the life cycle of continuing trade in our industry and our experience of customer retention and custody in general.

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

In the case of intangible assets created by Zenith (i.e. relevant and appropriate expenditures that are accounted as intangible assets), we recognise such assets when they meet the following criteria: that the resource is controlled by the group; that such assets result from past events (not future intentions or obligations); that future economic benefits are expected to flow from the connected expenditure. We apply the same criteria to our purchases of software-as-a-service – in particular that the benefits of the software are enduring and extend beyond the current accounting period.

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

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

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

Financial assets

Classification of financial asset

Debt instruments that meet the following conditions are measured subsequently at amortised cost:
- the financial asset is held within the business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principle amount outstanding.

Amortised cost and effective interest method

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

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

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

Interest income is recognised in the profit or loss and is included in the 'Finance costs' line item.

Impairment of financial assets

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

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

Write off policy

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

Derecognition of financial assets

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

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

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

Financial liabilities

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

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

Hedge accounting

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

Derivative financial instruments

The Group uses derivative financial instruments to reduce exposure to interest rate movements. The Group does not use derivative financial instruments for speculative purposes, nor for foreign exchange risks (which are minimal) or residual value risks (which is our election).

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedging relationship.

Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using an estimation technique.

Notes to the financial statements
For the year ended 31 March 2023 continued

1. ACCOUNTING POLICIES continued
o. Financial instruments continued
Designation of derivatives

The Group designates certain derivatives as hedging instruments in cash flow hedges and fair value hedges.

At the inception of the hedge relationship, the entity documents the economic relationship between the hedging instrument and the hedged item, along with its risk management objectives and clear identification of the risk in the hedged item that is being hedged by the hedging instrument. Furthermore, at the inception of the hedge, the Group determines and documents causes for hedge ineffectiveness.

Cash flow hedges

The effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the period in which the hedged item affects profit or loss or when the hedging relationship ends.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time is reclassified to profit or loss when the hedged item is recognised in profit or loss. When a forecast transaction is no longer expected to occur, any gain or loss that was recognised in other comprehensive income is reclassified immediately to profit or loss.

Fair value hedges

Changes in the value of fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedge item attributable to the hedged risk are recognised in the line related to the hedge item in profit or loss.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

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

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

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

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

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

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

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

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

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

q. Loss attributable to the Company
The loss for the year ended 31 March 2023 dealt with in the financial statements of the parent Company was £23,075,000 (2022: £19,441,000). As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account or statement of comprehensive income is presented in respect of the parent Company.

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

s. Finance costs
Finance costs are provided at the interest rates that have been contracted during the period, adjusted to apply the effective interest rate method.

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

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

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

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

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

u. Inventories
Inventories are stated at the lower of cost and net realisable value. Cost is based on expenditure incurred in acquiring the inventories and bringing them to their existing location and condition, and based on the first-in, first-out principle. There is no overhead absorbed in the valuation of inventories. Inventories relates to consumables and similar low-value, fast-moving items that are used in the direct maintenance operations (i.e. workshops) within our Commercial division, rather than vehicle assets, which are held as tangible fixed assets.

v. Cash and cash equivalents
Cash on hand in the balance sheet comprise cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. In the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any outstanding bank overdrafts.

w. Provisions
Accounting policies covering maintenance provisions and deferred taxation are covered in the respective accounting policies above. There are no other provisions in the financial statements.

Notes to the financial statements
For the year ended 31 March 2023 continued

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

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

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

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

Control of special purpose vehicles and effect on consolidation and asset recognition
The Group consolidates the special purpose vehicles (SPVs) that are part of its securitisation structures for fleet funding. The grounds for consolidating the SPVs under FRS 102 are: that the activities of the SPVs are being conducted on behalf of the Zenith group of companies according to its specific business needs; that the Zenith group of companies has the ultimate decision-making powers over the activities of the SPV in some respects (for instance: the refinancing of funding facilities that support and determine the scope and scale of the ongoing business of the SPV; the selection of assets that are sold into the funding programmes that provide the business of the SPVs; that the Zenith group of companies has considerable influence on policies and commercial decisions that have a direct and material bearing on the SPVs); and that the Zenith group of companies has rights to obtain the majority of the benefits of the SPV and therefore may be exposed to risks incidental to the activities of the SPV. The effect of this judgement is as follows: assets that are recognised as receivables owed by the securitisation SPVs, and de-recognised as vehicle assets when sold into the programme by the originators, are re-recognised as tangible fixed assets ("Vehicles leased to customers") when the SPVs are consolidated into the Zenith Automotive Holdings Limited consolidated accounts (but only on that basis, and only at that "level" within the statutory reporting of the group).

Key source of estimation uncertainty
Residual values
When pricing a lease, the estimate of what a vehicle will be worth at the end of the lease is called the residual value. The Group reviews the residual values of its leased assets on an ongoing basis with reference to independent market data and prevailing economic conditions. We use sophisticated technology and risk management techniques to manage residual value and maintenance risk and our risk positions and exposures are constantly reassessed and adjusted accordingly. As such, residual values held in the financial statements of this Group are believed to be redeemable and free from impairment. The book value of residual values included in vehicles leased to customers, within tangible fixed assets, at 31 March 2022 amounts to £417,762,000 (2021: £454,681,000).

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

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

The provision at 31 March 2023 amounts to £19,549,000 (2022: £20,406,000).

Impairment of goodwill and intangible assets
The Group regularly reviews for new indicators of impairment, where none are found no impairment testing is undertaken; where such indicators are found the Group undertakes an estimation of the value in use of the cash-generating units (CGUs) 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 £342,842,000 (2022: £367,201,000). No impairment loss was recognised during the year ended 31 March 2023 (2022: £nil). The carrying amount of acquired intangible assets at the balance sheet date was £326,152,000 (2022: £349,448,000). No impairment loss was recognised during the year ended 31 March 2023 (2022: £nil).

We have judged the relevant CGUs to be (i) the Zenith group that pre-existed the acquisitions of Contract Vehicles Limited in 2017 (i.e. which now constitutes our Corporate and Consumer divisions), (ii) Contract Vehicles Limited (CVL), representing our Commercial division from 2017, and (iii) the former Cartwright businesses, acquired in 2020, namely Contract Vehicles Fleet Services Limited and Contract Vehicles Rentals Limited (CVFS & CVR), which, together with CVL, now constitutes our Commercial division.

The recoverable amount of the CGUs has been determined from a 'value in use' calculation which has been estimated using discounted cash flow projections, in an assessment approved by the Board. The cashflows covered a period of eight years, with a long-term growth rate of 2% (2022: 2%) to determine the terminal value of the CGUs. The long-term growth rate used is consistent and in line with the target for inflation in the UK.

Based on our assessment, the estimated recoverable amount of the CGUs exceeds carrying value by £176m (2022: £494m). The key assumptions used in estimating the recoverable amount of the CGUs include the discount rate and cashflows. The estimated recoverable amount of the CGUs would be at risk of falling below the respective carrying amounts at a discount rate of greater than 10% or where actual cashflows were adversely affected by a long-term growth rate of 1.5% or lower.

3. TURNOVER

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
An analysis of the Group's turnover by class of business is set out below:		
Long term leases	**398,080**	348,631
Vehicle sales	**186,667**	150,829
Other[1]	**103,370**	89,598
	688,117	589,058

[1] 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/(crediting):

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Depreciation of tangible fixed assets (note 12)		
Owned	**4,472**	4,042
Company cars	**1,898**	1,322
Held under finance leases and hire purchase contracts	**117,901**	117,842
Operating lease rentals	**1,769**	1,769
Impairment of trade debtors	**65**	359
Amortisation of goodwill (note 10)	**24,359**	24,360
Amortisation of intangibles (note 11)	**26,806**	26,643
Operating exceptional items (note 6)	**4,434**	63
Change of accounting estimates – fleet depreciation	**(30,821)**	–

Notes to the financial statements
For the year ended 31 March 2023 continued

4. OPERATING PROFIT continued
The analysis of the auditor's remuneration is as follows:

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Fees payable to the Company's auditor and its associates for:		
– the audit of the Company's annual accounts	**204**	126
– the audit of the Company's subsidiaries	**371**	314
Total audit fees	**575**	440
Other assurance services	**57**	–
Taxation compliance services	**72**	55
Other taxation advisory services	**112**	38
Corporate finance fees	**30**	1,742
Other non audit services	**152**	–
Total non-audit fees	**423**	1,835
Total fees	**998**	2,275

5. FINANCE COSTS (NET)

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Loan note interest	**32,281**	29,346
Preference share returns	**43,824**	39,840
Senior secured notes coupons (and interest costs on previous debt facilities)	**30,875**	39,840
Other finance charges	**9,802**	9,737
Finance costs (net)	**116,782**	118,763

Other finance charges include the (non-cash) amortisation of debt issuance costs that are capitalised when the financing is arranged.

6. EXCEPTIONAL ITEMS AND CHANGES IN ACCOUNTING ESTIMATES
The Group incurred the following exceptional items:

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Acquisition integration costs[1]	**–**	63
Aborted deal fees and asset impairment[2]	**4,434**	–
Total exceptional items	**4,434**	63

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

2 These costs are of two types: (1) in the write-down of new vehicle stocks purchased for the ZenAuto and salary sacrifice selling channels, and (2) in market assessment and due diligence connected to two potential acquisitions which were considered by the Group, but were aborted. In respect of the former, with a value of £3.1 million, we incurred a material, one-off, write-down to new vehicles recently purchased, and held as stock for the ZenAuto and salary sacrifice (Corporate) channels; the shortage of vehicles in the current and previous years encouraged us to purchase vehicles to stock for these selling channels to a greater extent than before, to ensure that we could service buoyant demand. At the end of 2022 and early into 2023 it became clear that the market had turned sharply, and new vehicle stocks (of particular marques and models).

In respect of exceptional costs in the year ended 31 March 2022, the cash payment was equivalent to the cost charged in the profit and loss account, and the tax effect was a deduction at the prevailing headline rate of corporation tax. In respect of the exceptional costs in the year ended 31 March 2023, the cash payment was equivalent to the cost charged in the profit and loss account for the aborted deal fees, but the asset impairment (in respect of the write-down in carrying value of vehicles) was a non-cash cost. The tax effect of both types of cost was a deduction at the prevailing headline rate of corporation tax.

Changes in accounting estimates
The Group altered its accounting estimates in one respect in the year ended 31 March 2023, which had a material impact on its reported results.

Under FRS 102, we were 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 significant and sustained increase in used vehicle prices (mainly during the year ended 31 March 2022) 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, and then tracked this cohort of vehicles on a quarterly basis through the year ended 31 March 2023, as a change in accounting estimates, with a subsequent impact on our profit and loss account for the year ended 31 March 2023 of £30.8 million. The year ended 31 March 2022, is unaffected.

7. STAFF COSTS
The average monthly number of employees (including executive directors) was:

	Year ended 31 March 2023 Number	Year ended 31 March 2022 Number
Office, sales and management staff	**1,222**	1,076

The aggregate remuneration comprised:

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Wages and salaries	**39,868**	36,224
Social security costs	**4,070**	4,209
Other pension costs (see note 21)	**2,011**	1,579
	45,949	42,012

There are no employees in Zenith Automotive Holdings Limited.

8. DIRECTORS' REMUNERATION AND TRANSACTIONS

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Directors' remuneration		
Emoluments	**1,038**	1,132
	1,038	1,132
	Number	Number
The number of directors who:		
Are members of a money purchase pension scheme	**–**	–

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

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Remuneration of the highest paid director:		
Emoluments	**513**	587

9. TAX ON LOSS ON ORDINARY ACTIVITIES
The tax charge comprises:

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Current tax on loss		
UK corporation tax	**1,559**	1,557
Adjustment in respect of previous periods	**3,798**	491
Total current tax	**5,357**	2,048
Deferred tax		
Origination and reversal of timing differences	**2,096**	(2,731)
Adjustment in respect of previous periods	**(6,673)**	(3)
Effect of changes in tax rates[1]	**2,059**	19,544
Total deferred tax	**(2,518)**	16,810
Total tax charge on loss	**2,839**	18,858
Other comprehensive expense items:		
Deferred tax current period charge	**1,728**	3,193
	1,728	3,193

The standard rate of tax applied to reported loss is 19% (2022: 19%).

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

Notes to the financial statements
For the year ended 31 March 2023 continued

9. TAX ON LOSS ON ORDINARY ACTIVITIES continued
Factors affecting total tax charge for the current period

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Loss before tax	**(68,525)**	(100,424)
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2022: 19%)	**(13,020)**	(19,080)
Effects of:		
– Expenses not deductible for tax purposes	**16,675**	17,906
– Adjustment in respect of previous periods	**(2,875)**	488
– Tax rate changes	**2,059**	19,544
Total tax charge	**2,839**	18,858

10. GOODWILL

Group	£'000
Cost	
At 31 March 2022	487,311
At 31 March 2023	487,311
Accumulated amortisation	
At 31 March 2022	120,110
Charge for the year	24,359
At 31 March 2023	144,469
Net book value	
At 31 March 2023	**342,842**
At 31 March 2022	367,201

Company:
As at 31 March 2023 the Company only financial statements contain goodwill of £nil (2022: £nil).

11. INTANGIBLE ASSETS

Group	Customer intangibles £'000	Computer software £'000	Total £'000
Cost			
At 31 March 2022	465,931	23,549	489,480
Additions in the year	–	12,325	12,325
At 31 March 2023	465,931	35,874	501,805
Accumulated amortisation			
At 31 March 2022	116,483	9,617	126,100
Charge for the year	23,297	3,510	26,807
At 31 March 2023	139,780	13,127	152,907
Net book value			
At 31 March 2023	**326,152**	**22,747**	**348,899**
At 31 March 2022	349,448	13,932	363,380

Amortisation of intangible assets is charged as an operating expense.

Company:
As at 31 March 2023 the Company only financial statements contain intangible assets of £nil (2022: £nil).

12. TANGIBLE FIXED ASSETS

	Land & buildings £'000	Equipment, fixtures and fittings £'000	Vehicles leased to customers £'000	Total £'000
Cost				
At 31 March 2022	1,745	29,936	748,045	779,726
Additions	–	5,951	581,207	587,158
Impairment	–	–	(1,127)	(1,127)
Disposals	–	(66)	(316,810)	(316,876)
At 31 March 2023	1,745	35,821	1,011,315	1,048,881
Accumulated depreciation				
At 31 March 2022	35	15,976	37,588	53,599
Charge for the year	35	4,486	119,750	124,271
Disposals	–	(5)	(105,942)	(105,947)
At 31 March 2023	70	20,457	51,396	71,923
Net book value				
At 31 March 2023	**1,675**	**15,364**	**959,919**	**976,958**
At 31 March 2022	1,710	13,960	710,457	726,127

Equipment, fixtures and fittings includes computer hardware which has not been split out as the directors deem them to be not material to the users of the financial statements.

Tangible fixed assets of the Group include vehicles leased to customers under finance leases, hire purchase contracts and under the securitisation agreements. All such assets are pledged as security in relation to those borrowings.

Land and buildings are held on a freehold basis.

Future minimum lease payments receivable under non-cancellable operating leases captured as fixed assets are summarised as below:

	As at 31 March 2023 £'000	As at 31 March 2022 £'000
Within one year	**186,182**	158,459
Between one and five years	**223,037**	195,803
	409,219	354,262

No contingent rentals have been included as income.

Company:
As at 31 March 2023 the Company only financial statements contain tangible fixed assets of £nil (2022: £nil).

Notes to the financial statements
For the year ended 31 March 2023 continued

13. FIXED ASSET INVESTMENTS

Company subsidiary undertakings:	**As at 31 March 2023 £'000**	As at 31 March 2022 £'000
Cost and net book value	**32,508**	32,508

At 31 March 2023 the Company held, directly and indirectly, 100% of the allotted ordinary share capital of the following[1]:

	Class of shares held	Principal activity	Percentage
Zeus Finco Limited	Ordinary	Holding company	100%
Zeus Midco Limited	Ordinary	Holding company	100%[1]
Zeus Bidco Limited	Ordinary	Holding company	100%[1]
Zenith OpCo Limited	Ordinary	Contracting company	100%[1]
Leasedrive Limited	Ordinary	Vehicle leasing and related activities	100%[1]
Velo Limited	Ordinary	Vehicle leasing and related activities	100%[1]
Zenith Vehicle Contracts Limited	Ordinary	Vehicle leasing and related activities	100%[1]
Zenith EF Limited	Ordinary	Vehicle leasing and related activities	100%[1]
Provecta Car Plan Limited	Ordinary	Vehicle leasing and related activities	100%[1]
Zenith Remarketing Limited	Ordinary	Vehicle leasing and related activities	100%[1]
Contract Vehicles Limited	Ordinary	Vehicle leasing and related activities	100%[1]
ZenAuto Limited	Ordinary	Vehicle leasing and related activities	100%[1]
Contract Vehicles Fleet Services Limited	Ordinary	Vehicle leasing and related activities	100%[1]
Contract Vehicles Rentals Limited	Ordinary	Vehicle leasing and related activities	100%[1]
Contract Vehicles Properties Limited	Ordinary	Property holding company	100%[1]
Zenith Finco PLC[2]	Ordinary	Holding company	100%[1]

1 The shares in the undertakings marked with an asterisk are held indirectly by subsidiary undertakings.
2 This subsidiary was incorporated in the year ended 31 March 2022 with ordinary share capital of £50,000.

All the companies are incorporated in England and Wales and operate principally in their country of registration. The registered office of all the above subsidiaries is Number One, Great Exhibition Way, Kirkstall Forge, Leeds, England, LS5 3BF.

14. INVENTORIES

	As at 31 March 2023 £'000	As at 31 March 2022 £'000
Raw materials and consumables	**1,115**	1,058
	1,115	1,058

Raw materials and consumables relates to engineering spares, parts, consumables and other similar inventory assets used in the repair and maintenance of trailer units and similar vehicles.

The amount of inventories recognised as an expense during the period is £7,049,000 (2022: £5,769,000).

15. DEBTORS

	Group As at 31 March 2023 £'000	**Company As at 31 March 2023 £'000**	Group As at 31 March 2022 £'000	Company As at 31 March 2022 £'000
Amounts falling due within one year:				
Trade debtors	**86,739**	**–**	49,129	–
Amounts receivable under hire purchase contracts	**5,815**	**–**	4,308	–
Amounts receivable under securitised contracts	**14,915**	**–**	14,406	–
Vehicles subject to repurchase agreements	**8,829**	**–**	7,352	–
Amounts owed by Group undertakings	**–**	**363,629**	–	342,521
Other debtors	**26,856**	**42**	18,011	42
Corporation tax	**912**	**–**	1,803	–
Fair value of hedging instruments	**17,043**	**–**	10,133	–
Prepayments and accrued income	**27,416**	**2,025**	21,176	2,170
VAT	**–**	**–**	8,889	–
	188,525	**365,696**	135,207	344,733
Amounts falling due after more than one year:				
Amounts receivable under hire purchase contracts	**17,341**	**–**	14,251	–
Amounts receivable under securitised contracts	**27,921**	**–**	28,420	–
Vehicles subject to repurchase agreements	**60,296**	**–**	29,564	–
Amounts owed by Group undertakings	**–**	**–**	–	–
Prepayments and accrued income	**7,223**	**–**	2,878	–
	112,781	**–**	75,113	–
	301,306	**365,696**	210,320	344,733

All the Group's trade debtors have been reviewed for impairment and where necessary a provision for impairment provided. The value of the impairment charged to the income statement is £65,000 (2022: £359,000) and the provision carried in the balance sheet is £494,000 (2022: £329,000).

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

16. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group As at 31 March 2023 £'000	**Company As at 31 March 2023 £'000**	Group As at 31 March 2022 £'000	Company As at 31 March 2022 £'000
Obligations under finance leases and hire purchase contracts[1]	**118,487**	**–**	109,780	–
Obligations under securitised contracts[1]	**237,262**	**–**	177,786	–
Vehicles subject to repurchase agreements	**8,829**	**–**	7,352	–
Trade creditors	**66,643**	**–**	43,473	–
VAT	**734**	**–**	–	–
Other taxation and social security	**1,813**	**–**	2,531	–
Other creditors	**23,469**	**–**	21,375	–
Accruals and deferred income	**65,293**	**–**	44,129	–
Amounts owed to other Group undertakings	**–**	**4,315**	–	8,101
	522,530	**4,315**	406,426	8,101

1 The year ended 31 March 2022 balances for Obligations under finance leases and hire purchase contracts, and Obligations under securitised contracts, have been restated for a more appropriate classification and to enable comparability. The previously reported balances were £55,900,000 and £231,700,000 respectively. This restatement had no impact on the Group's primary financial statements, including its reported earnings for the year-ended 31 March 2022 and the key performance indicators.

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

There are no related party relationships in respect of the Company's liabilities. The Group's related party transactions and relationships are described in note 24.

Notes to the financial statements
For the year ended 31 March 2023 continued

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

	Group As at 31 March 2023 £'000	**Company As at 31 March 2023 £'000**	Group As at 31 March 2022 £'000	Company As at 31 March 2022 £'000
Senior secured notes	**466,841**	**–**	464,923	–
Obligations under finance leases and hire purchase contracts[1]	**132,578**	**–**	101,897	–
Obligations under securitised contracts[1]	**480,036**	**–**	352,355	–
Vehicles subject to repurchase agreements	**60,296**	**–**	29,564	–
Loan notes	**340,010**	**–**	308,040	–
Accruals and deferred income	**210,547**	**210,547**	166,724	166,724
	1,690,308	**210,547**	1,423,503	166,724

1 The year ended 31 March 2022 balances for Obligations under finance leases and hire purchase contracts, and Obligations under securitised contracts, have been restated for a more appropriate classification and to enable comparability. The previously reported balances were £18,900,000 and £435,300,000 respectively. This restatement had no impact on the Group's primary financial statements, including its reported earnings for the year-ended 31 March 2022 and the key performance indicators.

There are no related party relationships in respect of the Company's liabilities. The Group's related party transactions and relationships are described in note 24.

The senior secured notes, issued in January 2022, carry a coupon of 6.50% per annum, paid semi-annually in June and December, and no repayment obligations before maturity in June 2027.

Obligations under finance leases and hire purchase contracts are repayable as follows:

	Group As at 31 March 2023 £'000	**Company As at 31 March 2023 £'000**	Group As at 31 March 2022 £'000	Company As at 31 March 2022 £'000
Obligations under finance leases and hire purchase contracts				
Within two to five years	**132,578**	**–**	101,897	–
On demand or within one year	**118,487**	**–**	109,780	–
	251,065	**–**	211,677	–
Obligations under securitised contracts				
Within two to five years	**480,036**	**–**	352,355	–
On demand or within one year	**237,262**	**–**	177,786	–
	717,298	**–**	530,141	–

18. PROVISIONS FOR LIABILITIES

	Deferred taxation £'000	Maintenance costs £'000	Total £'000
Group			
At 31 March 2022	88,422	20,406	108,828
Charged to profit and loss account	2,096	55,933	58,029
Tax rate change	2,059	–	2,059
Charged to other comprehensive expense[1]	1,728	–	1,728
Adjustment in respect of prior years	(6,700)	–	(6,700)
Utilisation of provision	–	(56,790)	(56,790)
At 31 March 2023	**87,605**	**19,549**	**107,154**

1 Relates to the valuation of derivatives in the statement of changes in equity.

Maintenance costs

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

Deferred tax

Deferred tax is provided as follows:

	As at 31 March 2023 £'000	As at 31 March 2022 £'000
Accelerated capital allowances	**3,743**	48
Short term timing differences	**2,324**	2,411
Non-trading timing differences	**81,538**	85,963
Provision for deferred tax	**87,605**	88,422

Non-trading timing differences

Deferred tax liability directly relates to intangible assets (note 11). This liability will unwind over a 20-year period in line with movements of the intangible asset balances.

The amount of deferred tax assets not recognised as at 31 March 2023 is £nil (2022: £nil).

Company:

As at 31 March 2023 the Company only financial statements contain provisions of £nil (2022: £nil).

19. CALLED UP SHARE CAPITAL

	As at 31 March 2023 £'000	As at 31 March 2022 £'000
Allotted, called up and fully-paid		
1,999,999 A ordinary shares of £0.01 each	**20**	20
424,375 B ordinary shares of £0.01 each	**4**	4
18,345 C ordinary shares of £0.01 each	**–**	–
319,026 D1 ordinary shares of £0.01 each	**3**	3
41,277 Deferred shares of £0.01 each	**–**	–
271,517,758 preference shares of £1.00 each	**271,518**	271,518
	271,546	271,546

The A, B and C ordinary shares rank ahead of the D1 ordinary shares for dividend and on a return of assets. In the event of a future sale or listing of the Company the D1 ordinary shares entitle employees holding those shares to share in any value in excess of a hurdle rate set by the directors on the shares (set at a premium to the current equity value of the Company). The maximum value that can be delivered to D1 ordinary shareholders is 1.5% of any excess above the hurdle rate.

The preference shares are non-redeemable (other than in a return of capital, and then in preference to the ordinary shares), and carry an annual, non-discretionary dividend compounding annually at a rate of 10% per annum.

A reconciliation of share movements to 31 March 2023 is given below:

Type of shares	Ordinary	A Ordinary	B Ordinary	C Ordinary	D1 ordinary	Deferred	Preference
20 January 2017	1						
31 March 2017	(1)[1]	1,999,999	368,750	15,940	–	–	271,517,758
1 October 2017	–	–	18,750	811	–	–	–
29 November 2017	–	–	–	–	238,043	–	–
2 January 2018	–	–	36,875	1,594	–	–	–
26 March 2019	–	–	–	–	54,635	–	–
31 March 2020	–	–	–	–	67,625	–	–
31 March 2020	–	–	–	–	(41,277)	41,277	–
At 31 March 2023	**–**	**1,999,999**	**424,375**	**18,345**	**319,026**	**41,277**	**271,517,758**

1 The existing one ordinary share of £1 in the capital of the Company was redesignated as 100 class A ordinary shares of nominal value of £0.01 each.

Notes to the financial statements
For the year ended 31 March 2023 continued

20. NOTES TO THE CASH FLOW
An analysis of the Group's net senior debt is set out below:

	As at 1 April 2021	Cash flows	Other non-cash charges	As at 31 March 2022
Cash at bank and in hand	19,213	40,955	–	60,168
Senior term debt	434,316	(434,316)	–	–
Senior revolving facility drawings	20,000	(20,000)	–	–
Senior secured notes	–	475,000	–	475,000
Unamortised loan arrangement costs	(10,097)	(10,397)	10,417	(10,077)
Net senior debt	425,006	(30,668)	10,417	404,755

	As at 1 April 2022	**Cash flows**	**Other non-cash charges**	**As at 31 March 2023**
Cash at bank and in hand	60,168	12,019	–	**72,187**
Senior secured notes	475,000	–	–	**475,000**
Unamortised loan arrangement costs	(10,077)	–	1,918	**(8,159)**
Net senior debt	**404,755**	**(12,019)**	**1,918**	**394,655**

There were drawings and repayments of the super senior revolving credit facilities during the year ended 31 March 2023, but no drawings as at 31 March 2023.

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

21. FINANCIAL COMMITMENTS
Group

a. Capital commitments

At the end of the year the Group had contracted capital commitments of £486,041,000 (2022: £546,536,000) 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.

b. Contingent liabilities, cross-guarantees and security

The Group's banking facilities are subject to a standard cross guarantee with other Group subsidiaries. At 31 March 2023 the amount secured under this guarantee was £2,985 (2022: £nil).

The Group's senior secured notes and super senior revolving credit facilities, as refinanced in January 2022, are subject to security covering: shares held in certain subsidiary companies of Zeus Bidco Limited; certain structural intercompany receivables owed to guarantors under these notes and facilities; and Zenith Finco plc's and each guarantor's assets and undertakings under a floating charge.

At 31 March 2023 the Group was committed to the future purchase of vehicles with a cost of £5,376,000 (2022: £48,982,000).

c. Buy-back commitments

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

	As at 31 March 2023 £'000	As at 31 March 2022 £'000
Within one year	**504**	825
Within two to five years	**71**	482
	575	1,307

The buy-back commitments above represent agreements that Provecta Car Plan Limited has with customers that give the customer the option to sell the vehicle back to the Group for its residual value at the end of the lease agreement.

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

d. Pension arrangements

The Group makes contributions to various money purchase schemes on behalf of certain employees. The cost charged in the profit and loss account during the year was £2,011,000 (2022: £1,579,000). The amount unpaid as at 31 March 2023 was £700,000 (2022: £331,000).

e) Operating lease commitments – as lessee

The Group has entered into commercial leases on certain properties. These leases have a life of between one and seven years remaining.

Future minimum rentals payable under non-cancellable operating leases at the reporting date are as follows:

	As at 31 March 2023 £'000	As at 31 March 2022 £'000
Amounts due:		
Within one year	**1,769**	1,769
Within two to five years	**6,191**	7,075
More than five years	**–**	884
	7,960	9,728

Company:

The Company has no financial commitments for the year ended 31 March 2023 (2022: £nil).

22. FINANCIAL INSTRUMENTS
The carrying value of the Group's financial assets and liabilities are summarised as below.

At the balance sheet date, the Group had in place hedging arrangements to reduce its exposure to movements in interest rates. The Group has used a combination of interest rate caps and interest rate swaps (whereby it has swapped floating rates for fixed rates) against the amortisation profile of its term loans until their expiry. The indicative market value of these derivatives as at 31 March 2023 is an asset of £17,043,000 (2022: £10,133,000).

	2023 £'000	2022 £'000
Financial assets		
Measured at fair value and designated in an effective hedging relationship		
– Derivative financial assets (see note 23)	**17,043**	10,133
Debt instruments measured at amortised cost		
– Loans receivable (see note 15)	**135,117**	98,301
Measured at undiscounted amount receivable		
– Trade and Other Receivables (see note 15)	**114,507**	77,832
As at 31 March	**266,667**	**186,266**

	2023 £'000	2022 £'000
Financial liabilities		
Measured at fair value and designated in an effective hedging relationship		
– Derivative financial assets (see note 23)	**–**	–
Measured at amortised cost		
– Loans payable (see notes 16 and 17)	**806,851**	772,963
– Obligations under finance leases (see notes 16 and 17)	**1,037,488**	778,734
Measured at undiscounted amount payable		
– Trade and other creditors (see notes 16 and 17)	**368,499**	278,232
As at 31 March	**2,212,838**	**1,829,929**

The Company's financial assets and liabilities are measured at undiscounted amount receivable or payable except for Fixed asset investments in subsidiaries (note 13) which are classed as equity instruments and are measured at cost less impairment.

The Group's income, expense, gains and losses in respect of financial instruments are summarised below:

	As at 31 March 2023 £'000	As at 31 March 2022 £'000
Fair value gains		
On derivative financial assets designated in an effective hedging relationship	**6,910**	13,608
	6,910	**13,608**

The fair value gains on financial instruments were recognised (net of tax) in the consolidated statement of comprehensive income. None of the fair value gains in either period were reclassified from equity to profit or loss. There was no amount of hedge ineffectiveness recognised in profit or loss for either period.

Notes to the financial statements
For the year ended 31 March 2023 continued

23. DERIVATIVE FINANCIAL INSTRUMENTS

	Current As at 31 March 2023 £'000	Current As at 31 March 2022 £'000	**Non-current As at 31 March 2023 £'000**	Non-current As at 31 March 2022 £'000
Group				
Derivatives that are designated and effective as hedging instruments are carried at fair value				
Interest rate caps	**–**	–	**17,043**	10,133

Interest rate swaps and caps are valued at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Interest rate risk associated with financial instruments
The Group provides financing to customers at fixed rate returns, which the Group borrows at variable rates initially; this creates a risk of mismatching interest rates on money bought and sold. Such risks are mitigated by entering into swap or cap transactions that eliminate the risk of such a mismatch.

Credit risk connected to financial instruments
The Group provides financing to customers that is, in effect, back-to-back with funding arranged with third parties, and interest rate swaps connected to that same funding (in the case of securitisation); if customers cannot meet their obligations to the Group, the business must nonetheless meet its obligations to the funder (and the swap counterparty), in essence taking a credit risk on the customer. Such risks are mitigated by detailed and considered credit committee decision making, the segregation of credit decisions from the sales and business development functions, and, in the case of ZenAuto Limited, the use of technology-led approach to credit criteria and decisions.

Interest rate swap contracts
The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at the reporting date:

	Average contract fixed interest rate		Notional principal value		Fair value asset/(liability)	
Outstanding receive floating pay fixed contracts	**As at 31 March 2023 %**	As at 31 March 2022 %	**As at 31 March 2023 £'000**	As at 31 March 2022 £'000	**As at 31 March 2023 £'000**	As at 31 March 2022 £'000
Less than 1 year	**1.0%**	0.6%	**231,988**	177,339	**5,712**	3,377
1 to 2 years	**1.5%**	0.5%	**211,830**	154,664	**5,246**	3,035
2 to 5 years	**2.4%**	0.7%	**241,996**	185,058	**6,037**	3,719
More than 5 years	**2.8%**	1.0%	**1,957**	95	**48**	2
			687,771	517,156	**17,043**	10,133

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is GBP-SONIA. The Group will settle the difference between the fixed and floating interest rate on a net basis.

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

Gains of £5,182,000 (2022: £10,415,000) were recognised in other comprehensive income.

24. RELATED PARTY TRANSACTIONS
A related party is either an individual with control or significant influence over the Group, or a company that is linked to the Group by investment or a related individual. Our primary related parties are our key management personnel.

Key management personnel are considered to be the Group's directors, who are members of either or both of the Group Holding Board or Leadership Board.

The remuneration of key management personnel of the Group is set out below in aggregate.

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Salary and short-term benefits	**2,629**	3,254
Group contribution to money purchase pension scheme	**169**	86
	2,798	3,340

Amounts included in the table above reflect the remuneration of the 14 (2022: 14) key management personnel who are members of the Holding and Leadership Boards.

On 27 January, 2017, funds managed by Bridgepoint, members of senior management, Topco, Zeus Finco Limited, the Third Party Security Provider and the Company entered into an investment agreement (the 'Investment Agreement') relating to Topco. The Investment Agreement has been amended and restated from time to time and most recently on 20 January, 2022. Pursuant to the Investment Agreement, the parties entered into put and call agreements, and issued shares and shareholder debt, pursuant to an agreed capital structure schedule to finance the purchase of Contract Vehicles Holdings Limited (and its subsidiaries) and Zenith Group Holdings Limited (and its subsidiaries) and to refinance certain debt related to these acquisitions. The Investment Agreement regulates the corporate governance of the Group, including in respect of strategic matters that include Topco's issuance of additional capital, the incurrence of indebtedness and exit rights, among others. In addition, pursuant to the Investment Agreement, Bridgepoint has appointed two directors to Topco's Board who provide financial oversight, monitoring services and other advisory services to the Group, for which Bridgepoint is entitled to an annual monitoring fee of £125,000 per director plus reasonable expenses. The monitoring fee may be reviewed and increased annually. For the financial year ended we paid a monitoring fee in the amount of £250,000 (2022: £250,000).

There were no other transactions with directors for the years covered by these consolidated financial statements.

25. ULTIMATE CONTROLLING PARTY
As of 31 March 2023, the largest and smallest group in which the results of the Company were consolidated are these Group accounts.

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

26. POST BALANCE SHEET EVENTS
There are no post balance sheet events to report.

Glossary

Reconciliation of loss for the financial periods to EBITDA

	For the years ended 31 March 2023	2022
Loss for the financial period attributable to the shareholders of the Group	**(71,365)**	**(119,282)**
Tax charge on loss	**2,839**	18,858
Finance costs (on shareholder investment and all other items)	**81,324**	75,268
Finance costs (previous term facilities and previous revolving credit facility)	**35,459**	43,495
Changes to accounting estimates of residual values of fleet fixed assets	**(30,821)**	–
Operating exceptional items	**4,434**	63
Amortisation of intangible assets	**26,806**	26,639
Amortisation of goodwill	**24,359**	24,360
Depreciation of owned fixed assets	**6,370**	5,364
EBITDA	**79,405**	**74,766**

Reconciliation of change in cash and cash equivalents to Adjusted operating cash flow

	For the years ended 31 March 2023	2022
Net increase in cash and cash equivalents	**12,019**	**40,955**
Add back/(Deduct):		
Credit enhancement adjustment	**–**	(29,346)
Financing – bank loans raised/repaid (revolving credit facilities and term facilities)	**–**	(20,685)
Financing – interest paid	**38,227**	31,534
Corporation tax paid	**4,493**	1,156
Purchase of non-fleet fixed assets	**12,325**	10,217
Securitisation refinancing: fees and expenses	**724**	8,011
Senior debt refinancing: fees and expenses	**1,374**	8,761
Adjusted operating cash flow	**69,162**	**50,603**

Notes:
'Credit enhancement adjustment' represents the credit enhancement for the year, as adjusted as if our new securitisation programme entered into in August 2021 had been entered into at the beginning of the period indicated. See 'Description of Certain Financing Arrangements' in our offering memorandum dated January 2022. Our former securitisation arrangements had lower advance rates on vehicle residual values, in particular. Credit enhancement is a key working capital requirement and represents the difference between the securitisation funding advance rate received, including any residual value 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

	For the years ended 31 March 2023	2022
EBITDA	**79,405**	**74,766**
Change in working capital, including vehicle funding and payments	**(9,168)**	(24,100)
Exceptional items	**(1,075)**	(63)
Adjusted operating cash flow	**69,162**	**50,603**
Cash conversion percentage	**87.1%**	67.7%
Purchase of non-fleet fixed assets	**(12,325)**	(10,217)
Corporation tax paid	**(4,493)**	(1,156)
Cash flow before acquisitions and corporate financing	**52,344**	**39,230**
Pro forma credit enhancement adjustment	**–**	29,346
Financing – bank loans raised	**–**	20,685
Financing – interest paid (including previous revolving credit facility and senior term debt)	**(38,227)**	(31,534)
Securitisation refinancing: fees and expenses	**(724)**	(8,011)
Senior debt refinancing: fees and expenses	**(1,374)**	(8,761)
Net cash flow (change in cash and cash equivalents)	**12,019**	**40,955**

Notes:
This cash flow presentation reconciles between EBITDA to Adjusted operating cash flow, from which we derive our cash conversion key performance indicator, 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.

Reconciliation of certain pro forma financial information of Zeus Bidco Limited ('Bidco') to Zenith Automotive Holdings Limited ('Topco') group of companies

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 Zeus Bidco Limited's share capital. There are no differences in turnover, gross profit, EBITDA or operating profit between the consolidated accounts at Topco and Bidco levels. The differences in loss for the year and the balance sheet are of a similar nature, substance and quantum as we reported in the reconciliation contained within the offering memorandum (dated January 2022) for our senior secured notes due 2027.

The outer cover of this report has been laminated with a biodegradable film. Around 20 months after composting, an additive within the film will initiate the process of oxidation.

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