Zenith Q1 FY25 Financial Results

Challenging used car market conditions continue, however, year-on-year growth in turnover and strong liquidity maintained

Leeds, 28 August 2024: Zenith, the UK's largest independent truck-to-car vehicle leasing and fleet management company, today published its financial results for the first three months of the 2025 financial year.

Fleet highlights:

- Total fleet up 1.1% YoY to 170k vehicles.
- Funded fleet down 0.1% YoY to 77k vehicles, with year-on-year fleet growth in company car and salary sacrifice schemes of 7.2%, offset by a reduction in the ZenAuto fleet as consumer demand remains weak, and we remain risk off buying stock.
- Termination volumes up 9.0% YoY, mostly in the ZenAuto fleet.
- Orders down 2.1% YoY and up 2.8% QoQ[1].
- Deliveries down 21.1% YoY[1], on higher prior year volumes due to the post-Covid unlocking of supply chains.
- The order bank stood at 6,355 vehicles, with battery electric vehicles (BEV) comprising 44.6%[1] as at 30 June 2024.
- The funded fleet was comprised of 25,971 battery electric vehicles, or 43.0%, as at 30 June 2024[1].
- Commercial managed fleet increased 29.5% YoY to 36,740 vehicles following onboarding of new customers including major logistics provider, Wincanton.

Financial highlights[2]:

- Turnover: £203.5m up 8.8% YoY.
- Adjusted[3] gross profit: £30.6m down 14.0% YoY, with a decrease in RV profits of £5.9m, offsetting growth in in-life income.
- Average termination profit per vehicle at £1,625[4], down 9.5% quarter-on-quarter, mainly due to weakness in used BEV vehicle prices.

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1 Excluding managed fleet and commercial vehicles

2 All figures refer to continuing operations unless stated otherwise. Continuing operations excludes the Commercial division's English workshops closed in Q1 FY25

3 A comprehensive set of statutory and non-statutory performance measures are described in the glossary on page 20 of this document

4 Corporate and Consumer funded fleet only. Figures shown exclude customer profit share and disposal costs but include end of contract income (excess mileage, damage and early termination charges) across all contract types

- Adjusted operating expenses: £18.6m, flat YoY.
- Adjusted EBITDA: £12.1m down 28.9% YoY.
- LTM[5] Adjusted EBITDA[6]: £56.6m (LTM to 30 June 2023: £77.3m).
- Cash position at 30 June 2024: £42.2m[7] after £15m bond coupon payment, with an available, undrawn revolving credit facility of £65.0m, giving liquidity of £107.2m.

Business highlights:

- EFP securitisation upsize of £300m[8] completed in July 2024 taking the total facility size to £1,150m.
    - Increase of £150m Committed and £150m Uncommitted.
- Maintained our total fleet size of 170k vehicles.

Tim Buchan, Zenith chief executive officer, commented:

"While the uncertainty around the BEV transition continues, and weakened used car prices have impacted profitability, we've had a steady start to FY25, with turnover and total fleet numbers up year-on-year. Our BEV lease extension programme is gathering pace and helping to mitigate these risks as we await market recovery.

"We remain in a strong position, with liquidity of £107m across our available cash and revolving credit facilities, which, along with the increased asset-based financing, will enable us to grow our fleet and deliver against our strategic objectives.

"Thank you to all our colleagues, customers and business partners for their ongoing support."

5 Last twelve months

6 Based on total operations (continuing and discontinuing)

7 Excluding cash held within Special Purpose Vehicles of £23.2m

8 £300m comprises £150m Committed and £150m Uncommitted amounts, with £50m reduction in unutilised portion of FFL (Forge Funding Ltd) facility

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1. Presentation of financial information

This report summarises consolidated financial and operating data derived from the unaudited consolidated financial statements of Zenith Automotive Holdings Limited, the parent company of Zenith Finco plc. The summary financial information provided herein has been derived from our records for the accounting periods for the three months to 30 June 2024, and to 30 June 2023, and for the year ended 31 March 2024, which are maintained in accordance with FRS 102 and FRS 104.

We have presented certain non-FRS information in this quarterly report. This information includes "Adjusted EBITDA" and other measures derived therefrom, which represents earnings before interest, tax, depreciation, amortisation, impairment, the adjustment relating to the reassessment of residual values on funded fleet and exceptional items.

Under FRS 102, we are obliged to re-assess residual values (RVs)[1] of fixed assets, and therefore depreciation, where there has been an indication of change to those residual values, such as changes in market prices. We have twice recently made a re-assessment of RVs on our funded fleet, to the extent those assets are accounted for as fixed assets, as a change in accounting estimate due to a significant and sustained change in vehicle prices. The re-assessments were made as at 1 April 2022 due to a sustained increase in used vehicle prices and as at 1 April 2024 due to a sustained decline in used vehicle prices, especially BEVs, with an impact on our profit and loss account for the subsequent quarters. We will continue to re-assess RVs in future periods as required by FRS 102.

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

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

Comparative information has been provided, where appropriate, for the audited year ended 31 March 2024, and the unaudited three months ended 30 June 2023.

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

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

1 A further explanation of terms can be found in the Glossary from page 20

Disclaimer

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

Forward looking statements

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

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

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

2. Management's discussion and analysis of financial condition and results of operations

Continuing Operations

In June 2024, within the Commercial division, we closed our three workshops in England, and have classified the profit and loss results relating to these workshops as discontinued for the full quarter and comparative period. There was no impact to the fleet numbers. The profit and loss analysis and commentary below represents the continuing operations, excluding the results of the workshops.

Key performance indicators

We use a range of commercial, financial, and other KPIs to monitor our business, including fleet size and growth (including the breakdown of managed and funded fleet) and financial metrics such as adjusted gross profit, adjusted EBITDA, and cash conversion.

(£000)	For the three months ended 30 June	
	2024	2023
Turnover	**203,483**	186,961
Adjusted gross profit[1]	**30,647**	35,634
Adjusted EBITDA[1]	**12,070**	16,974
Adjusted operating cash flow	**1,130**	13,509
LTM EBITDA[2]	**56,626**	77,312
Cash conversion LTM %[2]	**100%**	**103%**

1 Adjusted gross profit and adjusted 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 LTM EBITDA and cash conversion is based on total operations (continuing and discontinued)

Fleet size and growth

Fleet size and growth

(£000)	As of 30 June		As of 31 March
	2024	2023	2024
Funded Fleet	77,245	77,290	77,396
Managed Fleet	92,546	90,700	92,514
Total Fleet	169,791	167,990	169,910

The size of our total fleet grew by 1.1%, to 169,791 vehicles as of 30 June 2024, compared to 30 June 2023 as our Corporate and Commercial division fleets grew by 2.5% and 16.5%, respectively, year-on-year, offsetting a decline in the Consumer division of 10.7%.

Quarter-on-quarter, the total fleet size declined by 0.1%, primarily driven by our funded fleet, which decreased by 0.2% over the first quarter of FY25, and 0.1% year-on-year. Growth in the Corporate division's funded fleet of 1.7% quarter-on-quarter was offset by a 10.3% reduction in the Consumer division's funded fleet, which continues to feel the impact of weakened consumer demand. The continuation of the rightsizing of our trailer fleet contributed to a 0.4% quarter-on-quarter decline in the Commercial funded fleet.

The managed fleet, totalling 92,546 vehicles, was stable quarter-on-quarter, as falls in our Corporate division (down 16.3%) and Consumer division (down 1.9%) were offset by a 5.6% increase in our Commercial managed fleet, following the addition of a new fleet management contract for Wincanton, a major logistics provider, adding circa 2,500 vehicles in the quarter.

Our financial performance in the most recent quarter versus the comparative period, is explained below. For reconciliations of statutory to non-statutory and KPI-based measures of performance, see Glossary.

Results of operations

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

(£000)	For the three months ended 30 June 2024	Restated For the three months ended 30 June 2023
Turnover[1]	203,483	186,961
Adjusted cost of sales[1 2 3]	(172,836)	(151,327)
Adjusted gross profit[3]	30,647	35,634
Adjusted operating expenses[4]	(18,578)	(18,660)
Adjusted EBITDA	12,070	16,974
Depreciation of owned tangible fixed assets[5]	(1,175)	(1,139)
Amortisation of goodwill	(6,090)	(6,090)
Amortisation of intangible assets	(8,116)	(8,219)
Operating exceptional items[6]	(488)	-
Reversal of impairment on vehicles sold[7]	4,185	-
Change to accounting estimates of RVs of fleet fixed assets	(22,241)	778
Operating (Loss) / profit	(21,855)	2,304
Finance costs (on other items)[8]	(9,561)	(9,444)
Loss before shareholder instruments and taxation	(31,416)	(7,140)
Finance costs (on Shareholder instruments)[8]	(22,559)	(21,055)
Loss before taxation	(53,975)	(28,195)
Tax charge	-	(293)
Loss for the financial period attributable to the shareholders of the group	(53,976)	(28,488)

1 We recognise in cost of sales the costs we incur in respect of assets subject to securitised contracts or hire purchase contracts, such as interest payable on the funding of long-term leases of such assets and depreciation of such assets over the course of their respective lives. 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 See page 23 in the glossary for a reconciliation between Adjusted Gross Profit and Gross Profit. In calculating Adjusted Gross Profit, no adjustments have been made to Turnover and the adjustment relates entirely to the change in accounting estimate of RVs of fleet fixed assets, which is within Cost of Sales.

4 Adjusted operating expenses are calculated by subtracting Depreciation of owned tangible fixed assets, Amortisation of goodwill, Amortisation of intangible assets and Reversal of impairment on vehicles sold from Total operating expenses.

5 Depreciation of owned tangible fixed assets for the period to 30 June 2023 has decreased by £0.6m compared with the number previously published. This is due to a re-classification of assets from tangible fixed assets to intangible assets. Conversely, the amortisation of intangible assets has increased by £0.6m compared with the number previously published.

6 Operating exceptional items are costs that do not relate to the Group's normal business operations and which in management's judgement are considered material individually or in aggregate (if of a similar type) due to their size or frequency. The exceptional costs in the period to 30 June 2024 relate to transformation, project and restructuring costs.

7 See pages 14 & 15 for information regarding the reversal of impairment loss.

8 Finance costs (on other items) includes charges under the current £475 million senior secured notes and £65 million revolving credit facilities and historic payments made to set up these facilities and other costs incurred in operating the day-to-day banking of the business. 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.

Divisional performance summary

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

Corporate[1]

(£000)	For the three months ended 30 June	
	2024	2023
Turnover	135,071	121,446
Adjusted gross profit	18,152	23,525
Fleet (units)	56,762	55,397

Consumer[1]

(£000)	For the three months ended 30 June	
	2024	2023
Turnover	23,558	23,443
Adjusted gross profit	4,800	5,533
Fleet (units)	59,417	66,567

Commercial[1]

(£000)	For the three months ended 30 June	
	2024	2023
Turnover	44,854	42,072
Adjusted gross profit	7,695	6,576
Fleet (units)	53,612	46,026

1 Figures relate only to continuing operations and the results of discontinued operations have been excluded

Comparison of results of continuing operations for the three months ended 30 June 2024 and 2023

Turnover

Group Consolidated

Turnover increased by £16.5m, or 8.8%, to £203.5m for the three months ended 30 June 2024, from £187.0m for the three months ended 30 June 2023.

Much of the increase was due to increased lease revenue within the Corporate division, up 22.6% year-on-year. The Corporate funded fleet size, which accounts for two thirds of our total funded fleet, increased 7.2% year-on-year, supporting a 10.3% rise in Group lease revenues in the first quarter of FY25. Termination levels, which were up 9.0% year-on-year, drove vehicle sales proceeds up 2.8% year-on-year to £52.5m in the first quarter of FY25.

Corporate

Turnover in the Corporate division increased by £13.6m to £135.1m for the three months ended 30 June 2024, up 11.2% from £121.4m for the three months ended 30 June 2023.

The total Corporate fleet size increased by 2.5% year-on-year, to 56,762 vehicles, and was broadly flat quarter-on-quarter. Growth in the funded fleet, which comprises 91.8% of the total Corporate fleet, was 7.2% year-on-year, outstripping a decline in managed fleet numbers of 31.1%. Our company salary sacrifice fleet now comprises 31.2% of our corporate funded fleet, compared to 27.8% as of 30 June 2023, and continues to grow year-on-year, increasing 20.4% to 16,262 vehicles as at June 2024. Our corporate car fleet, which makes up the remaining 68.8% of the Corporate funded fleet continues to growth, up 2.0% year-on-year.

The increase in turnover in the first quarter of FY25 was mainly due to increased lease revenues from the increased fleet size, offsetting the 4.2% fall in vehicle sales proceeds driven by BEVs taking an increasing portion of terminations and used BEV prices weakening further.

Lease revenues grew significantly, up 22.6% year-on-year, driven principally by increased fleet size and higher average lease rentals driven by higher interest cost and higher average price of vehicles. Short term daily rental turnover declined 6.2% year-on-year, primarily driven by lower rental days. In-life turnover benefitted from an increase in rebates, coupled with the increased fleet size.

The Corporate order bank declined by 586 vehicles quarter-on-quarter to 6,261 as of 30 June 2024, as affordability continues to impact orders, and more customers retain their vehicles.

Consumer

Turnover in our Consumer division was broadly flat year-on-year, at £23.6m for the three months to 30 June 2024, compared to £23.4m for the three months to 30 June 2023.

Total fleet size decreased 10.7% year-on-year, and 3.2% quarter-on-quarter, to 59,417 vehicles. The managed fleet, which accounts for 86.1% of the total fleet, declined to 51,135 vehicles in the first quarter of FY25, down 8.0% year-on-year. ZenAuto, our consumer funded fleet, saw its fleet size decline by 24.8% year-on-year to 8,282 vehicles, reflecting the continued weakness in demand within the consumer market for big ticket items.

Turnover remained flat year-on-year, principally due to termination volumes in our ZenAuto business rising 70.2% year-on-year, resulting in growth in proceeds from vehicle sales of 32.6% to £13.9m in the first quarter of FY25. Offsetting this, was a wider fall in lease revenues of 31.7% year-on-year due to the reduced fleet size.

As terminations rose, and a higher number of vehicles were sold, in-life revenue increased by 16.3% year-on-year, primarily due to auction and vehicle sale rebates received on a higher number of vehicles sold. Lower average proceeds per vehicle outstripped this growth however, due to continued softening of used car prices, particularly BEVs.

Deliveries continued to outpace orders in the first quarter of FY25, resulting in a smaller order bank for ZenAuto of 94 vehicles, a 66.8% decrease year-on-year. Continued weakness in consumer demand is constraining volumes within the ZenAuto business, with terminating contracts not being replaced by new orders. Due to the continuing volatility of vehicle pricing and whilst awaiting market recovery, we remain risk-off buying stock for ZenAuto, instead developing further channels in anticipation of an improving market.

Commercial

Turnover increased by 6.6%, or £2.8m to £44.9m for the three months ended 30 June 2024, from £42.1m for the three months ended 30 June 2023.

The total fleet size for the Commercial division increased 16.5% year-on-year, to 53,612 vehicles, primarily driven by the managed fleet which grew by 29.5% year-on-year as a result of a number of new customer wins. Quarter-on-quarter, total fleet size increased by 3.6%, as the managed fleet size benefitted from the addition of a new fleet management contract, adding 2,500 vehicles, increasing the number of vehicles by 5.6% to 36,740 vehicles.

The funded fleet continues to be impacted by lower market demand, resulting in a 4.5% decline in fleet size year-on-year, driving lease revenues down 5.9% in the first quarter of FY25. In the first quarter of FY25, as part of our conscious effort to reduce the fleet size, 149 trailers were defleeted, improving the utilisation rate by 4.2% to 79.0% year-on-year.

Adjusted cost of sales, excluding the impact of changes in accounting estimates and exceptional items

Adjusted cost of sales increased by £21.5m, or 14.2%, to £172.8m for the three months ended 30 June 2024, from £151.3m for the three months ended 30 June 2023.

Adjusted cost of sales represented 84.9% of turnover for the three months to 30 June 2024, compared to 80.9% of turnover for the three months to 30 June 2023.

The increase in adjusted cost of sales as a proportion of turnover was due principally to 1) increased termination volumes and lower revenues from assets sold ii) increased lease costs, driven by the increased Corporate funded fleet size, and iii) costs relating to service and maintenance within Commercial vehicle fleet services. Cost of sales also includes the funding costs of securitised and HP assets, which was £18.4m for the three-month period to 30 June 2024 and includes depreciation of fleet fixed assets which was £67.7m for the three-month period to 30 June 2024.

Adjusted gross profit

Group Consolidated

Group adjusted gross profit decreased by £5.0m, or 14.0% to £30.6m for the three months to 30 June 2024, from £35.6m for the three months to 30 June 2023.

This decline in adjusted gross profit, or income, was principally due to a decrease in RV profits, which were down 51.3% year-on-year to £5.6m for the quarter, driven by lower average price of vehicles sold and higher cost of vehicles sold. Lower trailer rental and lease margins were slightly offset by increases in fleet management, in life and margin on service, maintenance and repair contracts.

Corporate

Adjusted gross profit in the Corporate division decreased by £5.4m, or 22.8%, to £18.2m for the three months to 30 June 2024, from £23.5m for the three months to 30 June 2023.

This decrease was primarily due to RV profits declining 57.7% year-on-year, driven by a 5.0% decline in termination volumes, resulting in lower sales proceeds, coupled with the increased cost of vehicles sold and lower average selling price of vehicles being sold for the terminations. Total RV profits were impacted by BEVs, which comprised a larger percentage of the total number of vehicles disposed, and were loss making in total, due to the weakness in used BEV prices.

Lease margin declined year-on-year due to the residual impact of higher interest rates offsetting the higher lease revenues from higher fleet volumes.

Consumer

Adjusted gross profit in the Consumer division decreased by £0.7m, or 13.2% for the three months to 30 June 2024 to £4.8m, from £5.5m for the three months to 30 June 2023.

Profitability continued to be impacted by lower consumer demand, reflected in terminations rising 70.2% year-on-year, driving sales proceeds higher, however, this was more than offset by an increased cost of disposed vehicles and lower used car prices, which drove a decline in RV profits of 33.1% to £1.3m in the first quarter of FY25.

White label income declined 10.3% due to an 8.3% decrease in fleet size year-on-year.

Commercial

Adjusted gross profit in the Commercial division increased by £1.1m, or 17.0% to £7.7m for the first three months ended 30 June 2024, from £6.6m for the three months to 30 June 2023.

The increase was mostly due to fleet management, driven by the higher fleet volumes through higher fleet management revenues and increased SMR profitability, slightly offset by the fall in trailer rental margins, which were down 36.8% year-on-year due to the conscious effort to resize the trailer fleet, and RV profits, down 28.4% year-on-year due to a weakened disposal market and adverse mix, combined with disposal volumes relating to the rightsizing of the trailer fleet in the first quarter of FY25.

RV Profits

The below table outlines the terminations by fuel type in the first quarter of FY25, showing the impact of the changing drivetrain mix of returning vehicles on termination profits.

Number of Terminations[1]	For the three months ended		
	30 June 2024	31 March 2024	QoQ %
BEV	761	875	(13.0)%
ICE	3,059	3,509	(12.8)%
Total	3,820	4,384	(12.9)%
% of terminations that are BEV	19.9%	20.0%	0.0%

Average profit/(loss)	For the three months ended		
£ per vehicle	30 June 2024	31 March 2024	QoQ %
BEV	(3,713)	(2,750)	(35.0)%
ICE	2,951	3,020	(2.3)%
Total	1,625	1,796	(9.5)%

Total profit/(loss)	For the three months ended		
£ million	30 June 2024	31 March 2024	QoQ %
BEV	(2.8)	(2.7)	(17.4)%
ICE	9.0	10.6	(14.8)%
Total	6.2	7.9	(21.5)%

1 Corporate and Consumer funded fleet only. ICE includes PHEVs and hybrids. Figures shown exclude customer profit share and disposal costs but include end of contract income (excess mileage, damage and early termination charges) across all contract types

Total RV profits, for the Corporate and Consumer divisions only, decreased 21.5% to £6.2m, for the three months to 30 June 2024, from £7.9m for the three months to 31 March 2024.

Number of terminations fell by 12.9% quarter-on-quarter to 3,820, with ICE and BEV vehicles falling 12.8% and 13.0% respectively. The proportion of BEV vehicles within terminations has remained flat quarter-on-quarter at 19.9% in the first quarter of FY25.

Lower used car prices, coupled with the higher average cost of vehicles sold, has resulted in average profit per vehicle declining 9.5% quarter-on-quarter, to £1,625, primarily driven by BEV vehicles, for which average profits fell 35.0% in the first quarter of FY25, compared to the last quarter in FY24.

Termination profits for ICE vehicles remain higher than that for BEVs, where losses continue to widen quarter-on-quarter (down 17.4% quarter-on-quarter to a loss of £2.8m from a loss of £2.4m) due to a further fall in the value of used BEVs in the quarter.

The BEV market is currently being impacted by several factors hindering profitability on the vehicles. Government incentives such as benefit-in-kind rates, alongside the ZEV mandate have driven up supply of BEVs, both in the used and new vehicle markets, however, this is not being met with demand, causing prices and subsequent profits to fall. Low consumer confidence, a lack of knowledge of BEV products and low demand for big ticket items are also factors impacting the BEV market.

Changes in vehicle net book value due to a change in accounting estimates

RV Reassessment

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.

We have twice recently made a re-assessment of RVs on our funded fleet, to the extent those assets are accounted for as fixed assets, as a change in accounting estimate due to a significant and sustained change in vehicle prices. The re-assessments were made as at 1 April 2022 due to a sustained increase in used vehicle prices and as at 1 April 2024 due to a sustained decline in used vehicle prices, especially BEVs. The cohorts of vehicles that have their RVs re-assessed are then tracked on a quarterly basis with an impact on our profit and loss account for the subsequent quarters.

As at 31 March 2024 we had observed a cumulative reduction in depreciation of £33.7m from the re-assessment made at 1 April 2022. The re-assessment made at 1 April 2024 is expected to reverse this reduction in depreciation over future quarters and, to the extent that RVs are now lower than originally priced RVs, accelerate depreciation further.

In the three months to 30 June 2024 we accelerated depreciation on vehicle assets we continued to hold by £17.2m and reversed adjustments on sold vehicles that had previously reduced depreciation to the amount of £5.0m. This resulted in a total of £22.2m additional depreciation recognised in profit and loss during the quarter.

This has had no impact on our cash flow, tax position or the borrowing base under any of our vehicle funding facilities. We present this change in isolation and draw the reader's attention to the change, because it is a material 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.

Impairment assessment

If there is an impairment indicator identified in relation to a balance sheet asset, such that is it possible that the recoverable amount of the asset is less than the carrying value, the asset is tested for impairment. As at 31 March 2024 we identified that the reduction in used car prices, particularly in BEVs, could imply our vehicle assets should be impaired. We therefore assessed our vehicle fixed assets and vehicles subject to repurchase agreements for impairment, impairing the net book value of the fixed assets by £36.1m and impairing the vehicles subject to repurchase agreements by £15.2m. When vehicles are sold and therefore removed from our balance sheet, the corresponding impairment provision against those vehicle assets is also removed from the balance sheet. In the first quarter of FY25, there were no indicators of impairment to the vehicle carrying value identified, however we recognised a removal of the impairment from the vehicles sold in the quarter in the profit and loss account of £4.2m (30 June 2023: nil), with £4.0m relating to vehicle fixed assets and £0.2m relating to vehicles subject to repurchase agreements.

Adjusted Operating Expenses

Adjusted operating expenses were flat at £18.6m for the three months to 30 June 2024, and £18.7m for the three months to 30 June 2023.

In the three months to 30 June 2023, there were higher costs associated with our IT operations, services and infrastructure which reflected inflationary rises and additional IT services that were adopted to improve the performance of the business which were implemented over the course of FY24 that have not required further investment in FY25.

A pay award of an increase of 3% was given in April 2024, offset by FTE falling by 3.5% year-on-year.

Adjusted EBITDA

Adjusted EBITDA decreased by £4.9m, or 28.9%, to £12.1m for the three months ended 30 June 2024 from £17.0m for the three months ended 30 June 2023.

This decrease was driven by adjusted gross profit, which fell by £5.0m year-on-year across the Group, driven by declines in both the Corporate and Consumer divisions, slightly offset by growth in gross profit in the Commercial division. This decline was primarily driven by RV profits, which continue to be impacted by weaknesses in used car prices, particularly BEVs. Challenging macroeconomic conditions have persisted and, continue to affect disposable incomes and consumer decisions around purchasing big ticket items.

Finance Costs

Finance costs increased by £1.6m, or 5.3%, to £32.1m for the three months ended 30 June 2024, from £30.5m for the three months ended 30 June 2023, principally due to a higher interest charge from the increase in the underlying balance of the Loan Notes and Preference Shares.

Tax Charge

The tax charge decreased by £0.3m, to a charge of £0.0m for the three months ended 30 June 2024, from a charge of £0.3m for the three months ended 30 June 2023.

Facilities funding our fleet

Fleet leasing is a capital-intensive business and requires continuous access to different funding sources at attractive terms in order to maintain attractive margins. We seek to fund most of our funded fleet through securitisation facilities and the remainder with wholesale asset finance arrangements, such as secured back-to-back or hire purchase contracts, RV financing and agency funding. We are able to continue growing the size of our funded fleet due to the undrawn capacity under our securitisation facilities, in particular, but also due to the range of wholesale funding options we maintain.

On 30 June 2024, we had drawn £900.8m on our securitisation facilities (30 June 2023: £778.7m). We had also drawn £97.8m on our RV facilities (30 June 2024: £143.5m) 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 £1,103.9m (£975.0m in respect of bifurcated and non-bifurcated securitisation facilities, plus £128.9m of RV facilities for the bifurcated programme).

Back-to-back hire purchase funding is an arrangement whereby we buy a vehicle through a hire purchase contract funded by a financier and lease it on contract hire to customers on corresponding terms. As of 30 June 2024, we had drawn £106.0m of funding commitments pursuant to back-to-back hire purchase agreements with financiers (30 June 2023: £136.2m).

Agency funding is an arrangement whereby we contract as disclosed or undisclosed agent for a third party which finances the vehicle purchase and, in most instances, holds legal title to the vehicle. As of 30 June 2024, we had utilised £170.1m of agency funding (30 June 2023: £147.8m).

There was no material change in the nature of our funding facilities, including securitisation, RV, back-to-back and agency facilities during the quarter ended 30 June 2024. Subsequent to the end of the quarter, the size of our EFP securitisation facility was increased by up to £300m with our existing lenders. This increase comprised £150m of additional committed facility and an ability to upsize by another £150m under an accordion, uncommitted facility. Including the accordion, the EFP facility size is £1,150m. The revolving period end date was retained at November 2025, enabling the facility to be increased on substantially the same commercial terms. As part of the agreement, the FFL facility was reduced by £50m from £125m to £75m – which reflects the lower utilisation level and lower anticipated usage going forward. FFL funds the lease receivables only, with the residual value of vehicles being funded through separate RV facilities. The total facility size across both securitisation facilities following the increase, including the £150m accordion, is £1,225m.

EFP Securitisation facility advance rates and collateral

During Q1 FY25, the EFP securitisation facility remained at full advance rates. Subsequent to the quarter end, in July 2024, the 3-month aggregate RV Realisation Ratio dipped below the first step of 105%, resulting in the RV advance rate reducing and a corresponding cash outflow of £8.7m.

As part of the increase in the EFP facility size explained above, and in order to help counteract the impact of the recent fall in BEV RV profits, additional collateral is required to be posted into the EFP facility, comprising: i) new business sold into the facility each month at the prevailing lower level of

RVs, with a documented and fixed assumption of profitability level per unit; ii) the mitigation delivered through our ongoing lease extension programme; and iii) the remaining balance being funded by cash injection. A reduction in advance rate, resulting in an increase in the pool's collateral level, may result in a reduction in the amount of cash that is required to be added as a result of these new tests.

There was no further change to the advance rate or additional collateral requirement in August.

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. We also maintain a revolving credit facility in the amount of £65.0m, which remained undrawn throughout the quarter and as at 30 June 2024. As such, the financial covenant test under that facility was not tested.

The group had an aggregate cash balance as at 30 June 2024, of £65.4m (30 June 2023: £64.2m, 31 March 2024: £85.0m), of which £23.2m (30 June 2023: £20.8m, 31 March 2023: £31.0m) relates to restricted cash balances held within the special purpose vehicles that are part of our securitisation structures. Therefore, group's total available liquidity at 30 June 2024 was £107.2m (30 June 2023: £108.4m; 31 March 2024: £119.0m), comprising freely available cash resources at 30 June 2024 of £42.2m (30 June 2023: £43.4m, 31 March 2023: £54.0m), in addition to the undrawn capacity on the £65.0m revolving credit facility.

Bond purchases

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

Historical cash flows

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

(£000)		Re stated For the three months Ended 30 June	For the year Ended 31 March
	2024	2023	2024
Net cash flow from operating activities[1]	**45,898**	40,794	188,898
Tax paid	**-**	(3,256)	(5,240)
Net cash flows used in investing activities[2]	**(58,959)**	(69,155)	(329,483)
Net cash flows (used in) / from financing activities[3]	**(6,497)**	23,618	158,613
Net decrease in cash & cash equivalents	**(19,559)**	(7,999)	12,788
Cash and cash equivalents at start of period	**84,975**	72,187	72,187
Cash and cash equivalents at end of period	**65,416**	64,188	84,975

1 As a result of restatements made to the Condensed Consolidated cash flow statement for the three months to 30 June 2023, net cash flows from operating activities have increased by £13,240k from £27,374k to £40,794k. For further information regarding the adjustments, see Condensed Consolidated cash flow statement on page 28.

2 The adjustments mentioned in (1) also decrease net cash flows used in investing activities by £4,808k from £73,963k to £69,155k in the three months to 30 June 2023.

3 The adjustments mentioned in (1) also decrease net cash flows from financing activities by £18,228k from £41,846k to £23,618, in the three months to 30 June 2023.

Net cash flow from operating activities

Net cash inflow from operating activities for the three months ended 30 June 2024 increased by £5.1m, to an inflow of £45.9m, from an inflow of £40.8m for the three months ended 30 June 2023.

The increase was driven by higher operating cashflow partially offset by higher cash outflow from working capital.

Tax paid

For the three months ended 30 June 2024, tax paid was nil, compared to a payment of £3.3m for the three months ended 30 June 2023.

Net cash used in investing activities

Net cash flows used in investing activities decreased by £10.2m, to a cash outflow of £59.0m, for the three months ended 30 June 2024, from a cash outflow of £69.2m for the three months ended 30 June 2023.

Cash used in investing activities declined as the proceeds from the sale of operating lease assets exceeded the volume of the purchased and funded assets.

Net cash flow from financing activities

Net cash flows from financing activities decreased by £30.1m, to an outflow of £6.5m for the three months ended 30 June 2024, from an inflow of £23.6m for the three months ended 30 June 2023.

This was driven by higher repayments on borrowings due to higher termination levels, coupled with lower drawdown on funding.

There was no drawdown or repayment of the group's current revolving credit facilities in the period ended 30 June 2023.

Off balance sheet arrangements

At 30 June 2024, our only material off-balance sheet item relates to vehicles funded through agency arrangements. For vehicles funded under such arrangements only the commitment to repurchase the vehicle at the end of the lease for the RV is recognised on the balance sheet. At 30 June 2024, the outstanding balance of vehicles subject to repurchase arrangements through agency arrangements was £139.7m (30 June 2023: £81.9m, 31 March 2024: £130.6m), reported as "Vehicles subject to repurchase agreements". By contrast, the outstanding rentals balance is reported on the agency funder's balance sheet.

Glossary

Alternative Performance Measures (APMs)

Throughout our report and accounts, we use alternative performance measures (APMs) to supplement the assessment and reporting of the performance of the Group. These measures are those that are not defined by statutory reporting frameworks, such as UK GAAP.

The APMs aim to assess performance from the perspective of all stakeholders, providing additional insight into the financial position and performance of the Group and should be considered in conjunction with the statutory reporting measures such as UK GAAP.

The following table identifies the key APMs used in this report and how each is defined.

APM	What is it?
Adjusted cost of sales	Adjusted cost of sales is cost of sales excluding the impact of the reassessment of residual values on the funded fleet and exceptional items.
Adjusted gross profit	Adjusted gross profit, or income, when used by the Group, is calculated as total income, measured as turnover less cost of sales, which includes the cost of funds on vehicle fleet borrowings and the depreciation cost of vehicles in the funded fleet, shown before impairment, the reassessment of residual values on the funded fleet and exceptional items. See below for a reconciliation to statutory measures.
Adjusted operating expenses	Adjusted operating expenses, when used by the Group, is calculated as operating expenses before depreciation and impairment of owned tangible fixed assets, amortization of goodwill and intangible assets and exceptional items.
Adjusted EBITDA	Adjusted EBITDA, when used by the Group, is calculated as operating profit before depreciation of owned fixed assets (being depreciation on company cars and other non-fleet fixed assets), amortization of goodwill and intangible assets, impairment, 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 under operating leases). See below for a reconciliation to statutory measures.
Adjusted operating cash flow	Adjusted operating cash flow is net cash prior to interest service costs (on debt other than fleet funding), tax and capital expenditure (on items other than the vehicle fleet).
Liquidity	Liquidity comprises freely available cash resources of the Group, along with undrawn capacity on the revolving credit facility.
Like-for-like basis	Adjusted EBITDA and adjusted gross profit are shown on a like-for-like basis across the periods: that is, before the impact of the reassessment of residual values on the funded fleet, which is explained further throughout the report, and before exceptional items.

Abbreviation and term definitions

Term	Definition
BEV	Battery electric vehicle
EFP	Exhibition Finance plc, the entity within the securitisation structure that funds receivables and residual values of vehicles, also referred to as the non-bifurcated facility
FFL	Forge Funding Limited, the entity within the securitisation structure that also funds receivables, but not the residual values of vehicles, also referred to as the bifurcated facility
Funded fleet	The fleet of vehicles that Zenith has funded using external funding sources, and for which Zenith bears residual value risk, i.e. the commitment to pay the residual at the end of the lease.
FY[XX]	Financial year [XX]
HP	Hire purchase
ICE	Internal combustion engine, includes trailers
IFRS	International Financial Reporting Standards
KPI	Key performance indicator
Managed fleet	The fleet of vehicles that Zenith manages under fleet management contracts; the customer holds the title to, and funding of, these vehicles
Order bank	Vehicles associated with lease contracts that have been ordered but not delivered - at which point they will become a part of the funded fleet. Does not include any vehicles in the pipeline for managed contracts
PHEV	Plug-in hybrid electric vehicle
QoQ	Quarter-on-quarter
RCF	Revolving credit facility
RV	Residual value
SMR	Service, Maintenance and Repair
SPV	Special purpose vehicle
YoY	Year-on-year
ZEV	Zero emission vehicle

Zenith
Intelligent Vehicle Solutions

Reconciliation of loss for the financial periods to adjusted EBITDA

(£000)	Re stated For the three months Ended 30 June	
	2024	2023
Loss for the financial period attributable to the shareholders of the group	(53,976)	(28,488)
Tax charge on loss	-	293
Finance costs (on Shareholder instruments)	22,559	21,055
Finance costs (on other items)	9,561	9,444
Operating exceptional items	488	-
Amortisation of intangible assets[1]	8,116	8,219
Amortisation of goodwill	6,090	6,090
Depreciation of owned fixed assets[1]	1,175	1,139
Reversal of impairment on vehicles sold	(4,185)	-
Changes to accounting estimates of RVs of fleet fixed assets	22,241	(778)
Adjusted EBITDA	12,070	16,974

Depreciation of owned fixed assets and company cars are added back when calculating EBITDA as they are non-cash items included within operating expenses in the profit and loss account.
Depreciation on vehicles leased to customers is included within cost of sales. As vehicles leased to customers are a fundamental part of the activities of the group, the depreciation reflects the reduction in the valuation of a vehicle over the life of a lease contract. As such, the depreciation is not added back to EBITDA as this gives a more accurate representation of the underlying performance of the Group.

1 Depreciation of owned tangible fixed assets for the period to 30 June 2023 has decreased by £0.6m compared with the number previously published. This is due to a re-classification of assets from tangible fixed assets to intangibles assets. Conversely, the amortisation of intangible assets has increased by £0.6m compared with the number previously published.

Reconciliation of change in cash & cash equivalents to adjusted operating cash flow

(£000)	Re stated For the three months Ended 30 June	
	2024	2023
Net increase/(decrease) in cash & cash equivalents	(19,559)	(7,999)
Add back / (Deduct):		
Financing – interest paid	15,898	16,007
Corporation tax paid	-	3,256
Purchase of intangible assets[1]	4,684	2,206
Purchase of non-fleet fixed assets[1]	107	39
Adjusted operating cash flow	1,130	13,509

1 Purchases of intangible assets and purchases of non-fleet fixed assets in the three months to 30 June 2023 have been split into separate captions, previously disclosed as £5,127k of non-fleet fixed asset additions. This has been corrected to disclose purchase of non-fleet fixed assets of £39k and purchase of intangible assets of £2,206k.

Non-statutory cash flow presentation: EBITDA to adjusted operating cash flow to net cash flow for the period

(£000)	For the three months Ended 30 June	Restated	For the year Ended 31 March
	2024	2023	2024
Adjusted EBITDA	**12,070**	16,974	62,069
Change in working capital, including vehicle funding and payments	**(10,451)**	(3,465)	8,804
Exceptional items	**(488)**	-	(1,910)
Adjusted operating cash flow[1]	**1,130**	13,509	68,963
Purchase of intangible assets[2]	**(4,684)**	(2,206)	(16,803)
Purchase of non fleet assets[2]	**(107)**	(39)	(482)
Corporation tax paid	**-**	(3,256)	(5,240)
Cash flow before acquisitions and corporate financing	**(3,661)**	8,007	46,438
Financing - interest paid	**(15,898)**	(16,007)	(33,650)
Net decrease in cash and cash equivalents	**(19,559)**	(7,999)	12,788

This cash flow presentation reconciles between EBITDA to Adjusted Operating Cash Flow, from which we derive our cash conversion KPI, to Cash Flow before acquisitions and corporate financing, which is the cash flow measure we regard as closest to a measure of cash flow available for debt service and similar financing, and to Net Cash movement in the periods in question.

1 As a result of restatements made to the Condensed Consolidated cash flow statement, Adjusted Operating Cash flow has decreased by £2,878k from £16,387k to £13,509k. For further information regarding the adjustments, see Condensed Consolidated cash flow statement on page 28.

2 Purchases of intangible assets and purchases of non-fleet fixed assets in the three months to 30 June 2023 have been split into separate captions, previously disclosed as £5,127k of non-fleet fixed asset additions. This has been corrected to disclose purchase of non-fleet fixed assets of £39k and purchase of intangible assets of £2,206k.

Reconciliation of gross profit to adjusted gross profit

(£000)	For the three Ended 30 June	
	2024	2023
Gross profit - statutory	8,406	36,412
Deduct change to accounting estimates of RVs of fleet fixed assets	22,241	(778)
Adjusted gross profit	30,647	35,634

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.

3. Condensed unaudited interim financial statements for the three months ended 30 June 2024

Condensed consolidated statement of profit and loss

		Continuing Operations For the three months ended 30 June		Discontinued Operations For the three months ended 30 June		Total For the three months ended 30 June	
		2024	2023	2024	2023	2024	2023
	Note					£'000	£'000
Turnover	3	203,483	186,961	674	1,795	204,157	188,756
Cost of sales		(195,077)	(150,549)	(1,367)	(2,052)	(196,444)	(152,601)
Gross profit		8,406	36,412	(693)	(257)	7,713	36,155
Operating Expenses		(30,261)	(34,108)	(279)	(177)	(30,541)	(34,285)
Operating profit before depreiciation of owned tangible fixed assets, amortisation of goodwill and intangible assets and exceptional items		12,070	16,974	(972)	(434)	11,097	16,540
Depreciation of owned tangible fixed assets[1]	4	(1,175)	(1,139)	-	-	(1,175)	(1,139)
Amortisation of goodwill	4	(6,090)	(6,090)	-	-	(6,090)	(6,090)
Amortisation of intangible assets[1]	4	(8,116)	(8,219)	-	-	(8,116)	(8,219)
Operating exceptional items	4	(488)	-	-	-	(488)	-
Reversal of impairment on vehicles sold	4	4,185	-	-	-	4,185	-
Change of accounting estimates - fleet depreciation	4	(22,241)	778	-	-	(22,241)	778
Operating (loss)/profit	4	(21,855)	2,304	(972)	(434)	(22,827)	1,870
Finance costs (net)	5	(32,120)	(30,499)	-	-	(32,120)	(30,499)
Loss before taxation		(53,975)	(28,195)	(972)	(434)	(54,947)	(28,629)
Tax charge		-	(293)	-	-	-	(293)
Loss for the financial period attributable to the		(53,976)	(28,488)	(972)	(434)	(54,948)	(28,922)

1 Depreciation of owned tangible fixed assets for the period to 30 June 2023 has decreased by £0.6m compared with the number previously published. This is due to a re-classification of assets from tangible fixed assets to intangible assets. Conversely, the amortisation of intangible assets has increased by £0.6m compared with the number previously published.

Condensed consolidated statement of comprehensive income

	For the three months ended 30 June 2024 £'000	2023 £'000
Loss for the financial period	**(54,948)**	(28,922)
Hedge gains arising during period (net of tax impact)	**1,809**	8,912
Total comprehensive loss attributable to the shareholders of the group	**(53,139)**	(20,010)

The accompanying notes 1 to 12 are an integral part of these financial statements

Condensed Consolidated balance sheet

		As at 30 June 2024 £'000	As at 31 March 2024 £'000
Fixed assets			
Goodwill	6	**312,394**	318,483
Intangible assets	6	**336,879**	340,311
Tangible assets	6	**1,005,015**	1,029,191
		1,654,289	1,687,985
Current assets			
Inventory		**8,595**	7,258
Debtors			
– due within one year	7	**191,559**	193,930
– due after one year	7	**168,829**	169,837
Cash at bank and in hand		**65,416**	84,975
		434,398	455,999
Creditors: amounts falling due within one year	8	**(532,567)**	(553,180)
Net current liabilities		**(98,169)**	(97,181)
Total assets less current liabilities		**1,556,119**	1,590,804
Creditors: amounts falling due after more than one year	9	**(1,962,592)**	(1,943,190)
Provisions for liabilities		**(89,202)**	(90,149)
Net liabilities		**(495,674)**	(442,535)
Capital and reserves			
Called up share capital		**271,546**	271,546
Share premium account		**2,444**	2,444
Hedging reserve		**4,947**	3,139
Profit and loss account		**(774,611)**	(719,664)
Shareholders' deficit		**(495,674)**	(442,535)

The accompanying notes 1 to 12 are an integral part of these financial statements.

Condensed consolidated statement of changes in equity

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Hedging reserve £'000	Total £'000
At 1 April 2023	271,546	2,444	(563,457)	12,782	(276,685)
Loss for the year			(28,922)	-	(28,922)
Hedges of variable interest rate risk			-	11,882	11,882
Deferred tax charge			-	(2,970)	(2,970)
Total comprehensive expense			**(28,922)**	**8,912**	**(20,010)**
At 30 June 2023	**271,546**	**2,444**	**(592,379)**	**21,694**	**(296,695)**
At 1 April 2023	271,546	2,444	(592,379)	21,694	(296,695)
Loss for the year			(127,284)		(127,284)
Hedges of variable interest rate risk				(24,740)	(24,740)
Deferred tax credit				6,184	6,184
Total comprehensive expense			**(127,284)**	**(18,556)**	**(145,840)**
At 31 March 2024	**271,546**	**2,444**	**(719,663)**	**3,139**	**(442,535)**
Loss for the financial period			(54,948)		(54,948)
Hedges of variable interest rate risk				2,411	2,411
Deferred tax charge				(603)	(603)
Total comprehensive expense			**(54,948)**	**1,809**	**(53,139)**
At 30 June 2024	**271,546**	**2,444**	**(774,611)**	**4,948**	**(495,674)**

Hedging reserve

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

Condensed consolidated cash flow statement

			Original	Adjustments	Restated
			For the three months ended 30 June		
		2024	2023	2023	2023
	Note	£'000	£'000	£'000	£'000
Operating (loss)/profit		(22,828)	1,870	-	1,870
Adjustment for:				-	
Depreciation charges		68,906	44,401	(2,666)	41,735
Reversal of impairment on vehicles sold		(4,185)	-	-	-
Amortisation of goodwill and intangibles		14,206	13,708	601	14,309
Release of deferred financing costs		(1,377)	0	(1,284)	(1,284)
Profit on sale of tangible fixed assets		(2,661)	(30,013)	15,485	(14,528)
Operating cash flow before movement in working capital		52,061	29,966	12,136	42,102
Capital repayment received from finance lessees		7,156	5,291	-	5,291
Decrease in debtors		8,147	4,852	1,284	6,136
Decrease in stock		161	45	-	45
Decrease in creditors		(20,078)	(13,107)	-	(13,107)
(Decrease)/ increase in provisions		(1,550)	327	-	327
Net cash inflow from operating activities		45,898	27,374	13,420	40,794
Income tax (paid)		-	(3,256)	-	(3,256)
Cash flows from investing activities					
Proceeds from sale of operating lease assets		46,666	103,844	(58,858)	44,986
Purchase of operating lease assets		(3,515)	(50,186)	47,683	(2,503)
Purchase of funded vehicle assets		(97,319)	(127,621)	18,228	(109,393)
Purchase of intangible assets		(4,684)	-	(2,206)	(2,206)
Purchase of non-fleet fixed assets		(107)	-	(39)	(39)
Net cash flows used in investing activities		(58,959)	(73,963)	4,808	(69,155)
Cash flows from financing activities					
Repayments of borrowings		(87,918)	(69,768)	-	(69,768)
Drawdown of funding		97,319	127,621	(18,228)	109,393
Interest paid		(15,898)	(16,007)	-	(16,007)
Net cash flows (used in) / from financing activities		(6,497)	41,846	(18,228)	23,618
Net decrease in cash and cash equivalents		(19,559)	(7,999)	-	(7,999)
Cash and cash equivalents at start of the year		84,975	72,187	-	72,187
Cash and cash equivalents at end of the period		65,416	64,188	-	64,188

In the Group's financial statements for the period ended 30 June 2023, it has been identified that transfers of vehicle assets between different asset classes and between intragroup entities were incorrectly classified as third-party additions and disposals, rather than being eliminated from the consolidation as intercompany transactions. Further, additions of non-fleet tangible asset of £39k and additions of intangible assets of £2.2 million were also incorrectly classified in the cash flow statement. The transactions have now been accounted for correctly in these financial statements, impacting the consolidated cash flow statement as above.

The accompanying notes 1 to 12 are an integral part of these financial statements.

Cash and cash equivalents include amounts in respect of Exhibition Finance plc (formerly Bifurcate Funding Limited), Forge Funding Limited and Vehicle Titleco Limited of a total of £23,249,741 (2023: £20,803,000) that are not freely available for use by the Group.

The accompanying notes 1 to 12 are an integral part of these financial statements

Notes to the condensed unaudited interim financial statements

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The financial information for the three-month period ended 30 June 2024 has been prepared in accordance with FRS 104 'Interim Financial Reporting' and the Companies Act 2006. This report should be read in conjunction with the Group's annual report and financial statements for the year ended 31 March 2024, which have been prepared in accordance with FRS 102.

The condensed consolidated statement of profit and loss shows separate disclosure for continuing operations and discontinued operations. All other disclosures in the financial statements relate to total operations (including both continuing and discontinued operations).

Accounting policies

The accounting policies, methods of computation and presentation in these accounts are consistent with those that were applied in the annual financial statements for the year ended 31 March 2024, except for the estimation of income tax. The auditor's report on those accounts was unqualified. The Group's financial statements are prepared under the historical cost convention in compliance with Financial Reporting Standard 101 Reduced Disclosure Framework.

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

Going concern

The Group has considerable financial resources, a broad customer base across different business sectors and diversified income streams. 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 recent financial years, with robust Group performance despite challenges in the automotive industry, namely semiconductor shortages and market pressures on residual values, and broader macroeconomic headwinds with a sustained period of high inflation and 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.

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 upsize in July 2024 to the EFP facility of £300 million, with £150 million committed and a further

£150 million uncommitted, and a corresponding reduction of £50 million in the FFL facility, resulting in a total securitisation facility size of £1,225 million including uncommitted amounts. This also includes 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.

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

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 1, Accounting Policies, in its Annual Report and Financial Statements for the year ended 31 March 2024, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

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

Critical judgements in applying the Group's accounting policies

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

Credit loss provisioning

The Group considers the determination criteria for significant increase or decrease in credit risk to be a key judgement within expected credit losses that may have a significant risk of causing material adjustment. Despite the particularly low level of credit losses experienced by the Group over many years, the Group does provide for expected credit losses where it deems it appropriate. In most cases credit losses will be reduced by the existence of a hard asset (the vehicle).

The credit underwriting process on the Group's customers has proven to be robust, assisted by the Group's focus on the prime credit segment of the market. The process involves assessment of a variety of qualitative and quantitative information to assess the risk on corporate customers to ensure it remains within the Group's risk appetite. Similarly, the Group focuses on the prime and super-prime segment of consumer creditworthiness in the Personal Contract Hire market in the Consumer division.

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 a sophisticated methodology 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 materially accurate.

During the year ended 31 March 2024, the Group saw a sustained fall in the residual value of BEVs and to a lesser extent by certain ICE vehicles, thus being an indicator of potential impairment of the vehicle fixed assets and vehicles subject to repurchase agreements debtors. Management assessed the recoverable amount of all vehicle assets, on an individual basis, using a discounted cash flow model and compared the output to the carrying value of the asset as at 31 March 2024, recognising an impairment to the extent that the recoverable amount was lower than the carrying value. The recoverable amount is a key source of estimation uncertainty due to the key assumptions in the modelling:

a) the residual value of the vehicle at the point at which the Group will sell it;

b) the future time period in which the vehicle will be returned to the Group (either through early termination, at the lease contract end date or after a lease extension) and then sold by the Group and;

c) the discount rate applied to the future cash flows.

After taking into account the impairment provision, the book value of residual values included in vehicles leased to customers under operating leases, within tangible fixed assets, amounts to £675.1 million (31 March 2024: £673.5 million) and the book value of residual values included in vehicles subject to repurchase agreements amounts to £124.7 million (31 March 2024: £115.2 million), giving a total book value of residual values of £799.8 million, as at 30 June 2024 (31 March 2024: £788.7 million).

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

The provision at 30 June 2024 amounts to £21.0 million (31 March 2024: £22.5 million).

Impairment of goodwill and intangible assets

The Group regularly reviews for new indicators of impairment, where none are found no impairment testing is undertaken; where such indicators are found the Group undertakes an estimation of the value in use of the cash-generating units to which goodwill and acquired intangible assets have been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date was £312.4 million (31 March 2024: £318.5 million). No impairment loss was recognised during the period ended 30 June 2024, nor the period ended 31 March 2024. The carrying amount of acquired intangible assets at the balance sheet date was £297.0 million (31 March 2024: £302.9m).

3. TURNOVER

	For the three months ended 30 June	
	2024	2023
	£'000	£'000
An analysis of the Group's turnover by class of business is set out below:		
Long term leases	**120,742**	105,069
Vehicle sales	**58,541**	57,658
Other[1]	**24,874**	26,029
	204,157	188,756

[1] Other turnover includes fleet management and outsource fees, daily rental and other miscellaneous income.

Vehicle sales turnover includes proceeds on the sale of vehicles (including assets leased under operating leases, contract purchase and agency funding arrangements) and other related end-of-contract income (such as early termination income and damage charges). Proceeds from the sale of operating lease assets (see the consolidated cash flow statement) are included within this category. The Group's turnover was all derived from operations within the United Kingdom and Ireland.

4. OPERATING PROFIT

Operating profit is stated after charging/ (crediting)	For the three months ended 30 June	
	2024	2023
	£'000	£'000
Depreciation of tangible fixed assets (note 6)[1]		
Owned[2]	557	585
Company cars	618	554
Held under finance leases and hire purchase contracts[1]	67,731	40,596
Amortisation of goodwill	6,090	6,090
Amortisation of intangibles[2]	8,116	8,219
Operating exceptional items	488	-
Reversal of impairment on vehicles sold	4,185	-
Change of accounting estimates – fleet depreciation	22,241	(778)

1 As a result of restatements made to the Condensed Consolidated cash flow statement Depreciation of tangible fixed assets – Held under finance leases and hire purchase contracts has been reduced by £2,065k from £42,661k to £40,695k for the three month period to 30 June 2023. For further information regarding the adjustments, see Condensed Consolidated cash flow statement on page 28

2 Depreciation of owned tangible fixed assets for the period to 30 June 2023 has decreased by £0.6m compared with the number previously published. This is due to a re-classification of assets from tangible fixed assets to intangibles assets. Conversely, the amortisation of intangible assets has increased by £0.6m compared with the number previously published.

5. FINANCE COSTS (NET)

	For the three months ended 30 June	
	2024	2023
	£'000	£'000
Senior secured notes coupons	7,698	7,613
Other finance charges	1,864	1,831
Finance costs (on other items)	9,561	9,444
Loan note interest	9,699	8,746
Preference share returns	12,707	11,729
Other finance charges	153	580
Finance costs (on Shareholder instruments)	22,559	21,055
Finance costs (net)	32,120	30,499

Finance costs (on other items) includes interest expenses relating to the current £475 million senior secured notes and £65 million revolving credit facilities. 'Other finance charges' in this category relate to the amortisation of debt issuance costs that are capitalised when the financing is arranged, bank interest receivable/payable, monitoring fees and other costs incurred in operating the day-to-day banking of the business. 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 compounded on an annual basis. The 'other finance charges' in this category relate to the amortisation of debt issuance costs relating to issuing the preference shares and loan notes that are capitalised when the financing is arranged.

6. FIXED ASSETS

a) Tangible Fixed Asset table

Group	Land & Buildings £'000	Equipment fixtures and fittings £'000	Vehicles leased to customers under operating leases £'000	Total £'000
Cost				
At March 2024	1,745	43,925	1,396,041	1,441,711
Additions in the year		107	89,732	89,839
Transfer to stock[1]			(12,243)	(12,243)
Disposals		(22)	(98,213)	(98,235)
Transfer to other asset class [2]			(3,929)	(3,929)
At 30 June 2024	**1,745**	**44,010**	**1,371,388**	**1,417,143**
Accumulated depreciation and impairment				
At 31 March 2024	105	36,897	375,511	412,512
Depreciation charge for the year	9	560	68,337	68,906
Reversal of impairment on vehicles sold			(3,951)	(3,951)
Transfer to stock[1]			(4,932)	(4,932)
Disposals		(19)	(60,014)	(60,033)
Transfer to other asset class [2]			(374)	(374)
At 30 June 2024	**114**	**37,438**	**374,577**	**412,128**
Net book value				
At 30 June 2024	**1,631**	**6,572**	**996,812**	**1,005,015**
At 31 March 2024	1,640	7,028	1,020,531	1,029,191

(1) When vehicles are returned to the Group from customers at the end of their lease agreement, the Group will usually sell the vehicle. Once a vehicle has been returned from the customer and before it is sold, the vehicle asset is classified as inventory. The Stock Transfer line reflects the transfer of these assets to inventories at 30 June 2024.

(2) If a vehicle's funding method changes it may no longer be classified as a fixed asset, but rather a different type of asset on the Group's balance sheet. Transfer to other asset class reflects vehicles that are no longer fixed assets but have not been disposed of, and are instead, classified elsewhere on the Group's balance sheet.

b) Goodwill

The total net book value of goodwill is £312.4 million (31 March 2024: £318.4 million). Other than amortisation, there have been no material movements in the period.

c) Intangible assets

Intangible assets include customer contracts (arising on the acquisition of Contract Vehicles Limited in 2017) and software development costs. Management has considered indicators, compared actual performance to forecasts (please see the annual report and financial statements for the year ended 31 March 2024 for further details) and have concluded that no indicators of impairment exist at the reporting date. The total net book value of intangible assets is £336.9 million (31 March 2024: £340.3 million). Other than the additions in the period of £4.6m of computer software and amortisation, there have been no material movements.

d) Capital commitments

At the end of the period the Group had contracted capital commitments of £279.2 million (31 March 2024: £314.4 million) relating to the purchase of vehicles for leasing to its customers. These commitments are expected to be met within the next 12 months. The Group had no other capital commitments.

e) Contingent liabilities

At 30 June 2024 the Group was committed to the purchase of vehicles with a cost of £5.2 million (31 March 2024: £6.1 million).

7. DEBTORS

	As at 30 June 2024 £'000	As at 31 March 2024 £'000
Amounts falling due within one year:		
Trade debtors	78,636	87,401
Amounts receivable under hire purchase contracts	9,918	10,948
Amounts receivable under securitised contracts	22,240	18,486
Vehicles subject to repurchase agreements	17,351	12,702
Other debtors	23,924	22,984
Corporation tax	6,192	6,192
Fair value of hedging instruments	6,597	8,955
Prepayments and accrued income	26,701	26,263
	191,559	193,930
Amounts falling due after more than one year:		
Amounts receivable under hire purchase contracts	17,329	21,647
Amounts receivable under securitised contracts	38,472	38,843
Vehicles subject to repurchase agreements	107,330	102,513
Prepayments and accrued income	5,698	6,834
	168,829	169,837
	360,387	363,767

8. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	As at 30 June 2024 £'000	As at 31 March 2024 £'000
Obligations under finance leases and hire purchase contracts	94,959	102,220
Obligations under securitised contracts	295,707	289,678
Vehicles subject to repurchase agreements	18,901	14,420
Trade creditors	46,760	61,724
VAT	5,518	4,376
Other taxation and social security	2,678	1,937
Other creditors	26,424	31,404
Accruals and deferred income	41,621	43,375
Fair value of hedging instruments	-	4,046
	532,567	553,180

Amounts owed to other Group undertakings are unsecured, repayable on demand and charged at a fixed commercial rate of interest. The Group's related party transactions and relationships are described in note 11.

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

	As at 30 June 2024 £'000	As at 31 March 2024 £'000
Senior secured notes	469,879	469,452
Obligations under finance leases and hire purchase contracts	116,061	125,083
Obligations under securitised contracts	605,058	594,469
Vehicles subject to repurchase agreements	120,756	116,173
Loan notes	387,092	386,975
Preference share interest	263,746	251,040
	1,962,592	1,943,190

10. NET SENIOR DEBT

An analysis of the Group's net senior debt is set out below:

	As at 1 April 2024	Cash flows	Other non-cash charges	As at 30 June 2024
Cash at bank and in hand	84,975	(19,559)	-	65,416
Senior secured notes	475,000	-	-	475,000
Unamortised loan arrangement costs	(5,548)	-	427	(5,121)
Net senior debt	384,478	(19,559)	427	404,463

	As at 1 April 2023	Cash flows	Other non-cash charges	As at 31 March 2024
Cash at bank and in hand	72,187	12,788	-	84,975
Senior secured notes	475,000	-	-	475,000
Unamortised loan arrangement costs	(8,158)	-	2,611	(5,548)
Net senior debt	394,655	12,788	2,611	384,478

A breakdown and reconciliation of the Group's net senior debt as at 31 March 2024 can be found in note 20 to the audited financial statements for the year ended 31 March 2024.

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

11. RELATED PARTY TRANSACTIONS

A related party is either an individual with control or significant influence over the Group, or a company that is linked to the Group by investment or a related individual. Our primary related parties are our key management personnel.

Key management personnel are considered to be the Group's directors, who are members of either or both of the Group holding board or leadership board.

There were no transactions with directors for the periods covered by these consolidated financial statements, other than remuneration in connection with their roles (and as disclosed in the annual report and accounts for the financial year ended 31 March 2024).

Pursuant to the Investment Agreement between the Group, Bridgepoint and the management shareholders, Bridgepoint has appointed two directors to Topco's Board who provide financial oversight, monitoring services and other advisory services to the Group, for which Bridgepoint is entitled to an annual monitoring fee of £125,500 per director plus reasonable expenses. For the three months ended 30 June 2024 we paid a monitoring fee of £62,500 (three months ended 30 June 2023: £62,500; year ended 31 March 2024: £250,000).

12. ULTIMATE CONTROLLING PARTY

As of 30 June 2024, 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.