

# **Motability Operations Limited**

## **Annual Report and Financial Statements**

Year ended 30 September 2024  
Company registration no. 01373876

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## Officers and auditors

### Directors

Andrew Miller (Chief Executive)  
Ian Goswell  
Matthew Hamilton-James  
Ashley Sylvester

### Secretary

Julie McManus

### Registered office

22 Bishopsgate  
London EC2N 4BQ  
United Kingdom

### Independent auditor

KPMG LLP

Chartered Accountants  
15 Canada Square  
Canary Wharf  
London E14 5GL  
United Kingdom

## Strategic Report

### Business review

Motability Operations Limited (MOL; the Company) is a wholly owned subsidiary of Motability Operations Group plc (MO Group; the Group; MO), company number 06541091.

For a detailed review of the Company's business performance including financial and non-financial key performance indicators and the future development of Motability Operations please refer to the Annual Report (including a strategic report on pages 3 to 55) of MO Group, which is not part of this report.

The Group is contracted by Motability Foundation (the Charity) to operate the Motability Car Scheme and the Powered Wheelchair and Scooter Scheme (PWSS), and the Company is the principal operating company delivering these Schemes. The Company also operates a small Family Fund Car Scheme for families which the disabled person is a child under the age of 3 who does not have access to the main Scheme, as the main related government benefits do not apply at that age.

During the year ended 30 September 2024, the Company wrote 376,161 (2023: 259,523) new Car Scheme contract hire agreements and 13,150 (2023: 11,678) PWSS contract hire agreements. As at 30 September 2024, there were 791,089 (2023: 688,599) Car Scheme contract hire agreements in force, 735 (2023: 584) Family Fund Car Scheme contract hire agreements in force and 24,080 (2023: 21,851) PWSS contract hire agreements in force.

The Company's closing restricted reserves are £3,582.0m (2023: £4,002.0m). A statement of compliance with Section 172 Companies Act 2006 can be found on page 7.

### Principal risks and uncertainties

The management of the business and execution of the Company's strategy are subject to a number of risks. From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Group and are not managed separately. The key business risks and uncertainties affecting the Group are considered to relate to residual values, insurance, treasury risk, credit risk, operational risk, cyber and information security risks, supplier failure, business continuity, climate, people and transformation risk. Further discussion of these risks and uncertainties, in the context of the Group as a whole, is provided on pages 43-54 of the Group's annual report which does not form part of this report.

### Business environment

The business environment in which we operated in 2024 was shaped by several key factors. High inflation introduced uncertainty and volatility, particularly affecting used car market prices and consequently the residual values of the vehicle fleet. The transition towards electric vehicles (EVs) continued to be a major focus for the business, with investments in EV infrastructure and support for customers making the switch. Challenges include repair cost inflation, changes in driver risk profiles, and rising motoring costs due to supply chain pressures. Despite these challenges, MO has maintained strong relationships with manufacturers, dealers, and financial institutions, ensuring a diverse and sustainable funding profile. The Company has also experienced significant customer growth and remains committed to delivering affordable mobility solutions, investing in customer support programs, and maintaining high customer satisfaction.

MOL is, by design, a financially and operationally robust business. Capital reserves ensure that we protect customers from risk and adverse market volatility. MOL reports a loss before tax in 2024 primarily due to significant residual value adjustments and a drop in used car values, leading to higher depreciation charges. Impairment charges of £348.8 million were recognized due to reduced second hand car prices and inflationary impacts on costs. Rising insurance and repair expenses, increased borrowing costs to finance fleet expansion, and substantial investments in customer support programs and electric vehicle initiatives further increased costs. Additionally, changes in driver risk profiles and higher operating costs impacted insurance costs and profitability.

Last year's high profits enabled a £250.0m donation to the Motability Foundation to assist with their wider mandate of supporting the UK's disabled population with their transportation needs. This year, no such donation was made due to the financial pressures and losses experienced during the year. Given these financial challenges, the company prioritized maintaining financial stability and supporting its customers through investments in New Vehicle Payments and Electric Vehicle support programs. The Group's Annual Report sets out our plans to support customers in this challenging environment and for the future in a fast-changing world.

### Future developments

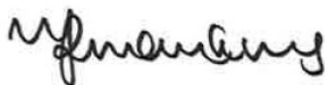
The Directors do not envisage any changes in the Company's principal activities in the foreseeable future.

## Financial risk management

The Company's operations expose it to a variety of financial risks that include interest rate risk, credit risk and liquidity risk (further details are supplied in note 30).

From the perspective of the Company, the financial risks are integrated with the financial risks of the Group and are not managed separately. The Group's funding and financial risk is overseen and managed by the Group's Risk Management Committee. The Group's treasury function monitors and manages the financial risks relating to funding and financial risk operations and co-ordinates access to the financial markets. Further discussion of the management of these financial risks in the context of the Group as a whole is provided in note 36 Funding and financial risk management of the Group's annual report which does not form part of this report.

Approved by the Board on 18 December 2024 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Julie McManus', is positioned above the printed name.

*Julie McManus*

Company Secretary

## Directors' report

### Directors' report for the year ended 30 September 2024

The Directors present their report and the audited financial statements of the Company for the year ended 30 September 2024.

### Principal activities

The Company is part of Motability Operations (which is the generic trading name used to describe the entities that act as service provider to the Motability Scheme).

The Company's business comprises the provision of vehicle finance to disabled people who are eligible to receive either the Higher Rate Mobility Component of the Disability Living Allowance, the War Pensioners' Mobility Supplement, the Enhanced Rate of the Mobility Component of Personal Independence Payment, or the Armed Forces Independence Payment.

Under the contract hire scheme, customers are able to hire a vehicle from the Company for a period of three or exceptionally, five years. The rentals include the cost of normal maintenance, insurance and roadside assistance.

Contract hire rentals are paid to the Company by customers mandating payment of their mobility allowances direct to the Company from the relevant government department. In addition, customers may need to pay an advance payment, particularly for more expensive vehicles.

The Company works in close co-operation with Motability Foundation, the Charity, although the two organisations are under completely separate ownership and control. One of Motability Foundation's principal aims is to ensure that the contract hire scheme operated by the Company provides its customers with the best possible value for money.

### Results and dividends

The Company's loss for the year is £420.0m (2023: profit £568.2m).

No dividend was paid or proposed in the current year (2023: £nil).

### Directors' third party indemnity provision

The Company is required to disclose that under article 131 of the Company's articles of association, the Directors have the benefit of an indemnity, to the extent permitted by the Companies Act 2006, against liabilities incurred by them in the execution of their duties and the exercise of their powers.

### Directors

The Directors who held office during the year and up to the date of signing the financial statements are given in the officers and professional advisors section of this annual report on page 3.

### Employees and culture

Motability Operations emphasizes a supportive and inclusive work culture, recognizing the vital contribution of its employees. The company invests in flexible office spaces, learning and development opportunities, and conducts annual employee surveys to gauge satisfaction. Initiatives such as 'Change Management' workshops, the MOscars awards, and various employee networks celebrate achievements and foster engagement. Motability Operations also focuses on diversity, competitive pay, comprehensive benefits, and training to enhance skills and career growth, ensuring employees are motivated and aligned with its mission.

For a full discussion of the Group's approach to employee engagement, see the section Our People on pages 30-33 of the Group's annual report.

### Other information

For full notes of the Group's approach to customer complaints, social and environmental matters, human rights, energy efficiency and employee and supplier engagement, please refer to the Group's annual report.

## Statement of carbon emissions in compliance with Streamlined Energy and Carbon Reporting (SECR)

Our SECR reporting covers energy use and associated greenhouse gas emissions relating to gas and electricity, intensity ratios and information relating to energy efficiency actions.

- Emissions from activities for which the company own or control, including combustion of fuel and operation of facilities (Scope 1) / tCO2e 244.58 (2023: 245.06)
- Emissions from purchase of electricity, heat, steam and cooling purchased for own use (Scope 2, location-based) / tCO2e 832.22 (2023: 786.49)
- Total gross Scope 1 & Scope 2 emissions/tCO2e 1,079.80 (2023: 1,031.47)
- Energy consumption used to calculate above emissions: kWh 5,325,920 (2023: 5,134,370)
- Intensity ratio 0.0445 (2023: 0.0471)

Methodology: Total Gross CO2e/Square meter of floor space.

The FY23 figures for 'Scope 2 (market-based) – tCO2e', 'Scope 2 (location-based) – tCO2e', 'Total gross Scope 1 and 2 emissions (location-based) – tCO2e', 'Total gross Scope 1, 2 & 3 emissions (location-based) – tCO2e' and 'Energy consumption used to calculate Scope 1 and 2 emissions – kWh' have been restated due to the discovery of new electricity consumption information. The figures have been updated to reflect this new information and the calculation methodology is consistent with our wider carbon footprint calculation.

Page 35 of the Group's annual report covers the principal actions being taken to improve the Company's energy efficiency.

## Policy and practice on payment of creditors

The Company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction (further details regarding creditor balances are supplied in note 17).

## Going concern

The Directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future, and for this reason the financial statements continue to be prepared on the going concern basis. See note 2 on page 18.

## Charitable and political donations

During the year the Company made no charitable donations to Motability Foundation (2023: £250.0m). The Company made charitable donations of £169,376 (2023: £25,841) to support and sponsor local initiatives.

The policy of the Company is to be non-political and, therefore, we have not made any political donations (2023: £nil).

## Statement of Directors' responsibilities in respect of the Strategic Report, Directors' Report and the Financial Statements

The Directors are responsible for preparing the Annual Report, the Strategic Report, the Directors' 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 they have elected to prepare the financial statements in accordance with UK-adopted international accounting standards and applicable law.

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 judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with UK-adopted international accounting standards;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company, or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

## Compliance with Section 172 Companies Act 2006

This S172 statement explains how the Board of Directors:

- have engaged with employees, suppliers, customers and others; and
- have had regard to employee interests, the need to foster the company's business relationships with suppliers, customers and other, and the effect of that regards, including on the principal decisions taken by the company during the financial year.

The S172 statement focuses on matters of strategic importance to the Company, and the level of information disclosed is consistent with the size and the complexity of the business. When making decisions, each Director ensures that he/she acts in the way he/she considers, in good faith, would most likely promote the Company's success for the benefit of its members as a whole, and in doing so have regard (among other matters) to:

### **S172(1)(A) The likely consequences of any decision in the long term**

The Directors understand the business and the evolving environment in which we operate, including the challenges of navigating through the impact of the pandemic, the changing customer base, ESG agenda and transition to mobility as a service. Based on the Company's purpose to provide customers access to affordable, worry-free mobility, the strategy set by the Board, and refreshed annually, is intended to strengthen our position as a leading provider of mobility solutions to disabled persons while keeping safety and social responsibility fundamental to our business approach.

### **S172(1)(B) The interests of the company's employees**

The Directors recognise that our employees are fundamental and core to our business and delivery of our strategic ambitions. The success of our business depends on attracting, retaining and motivating employees. From ensuring that we remain a responsible employer, from pay and benefits to our health, safety and workplace environment, the Directors factor the implications of decisions on employees and the wider workforce, where relevant and feasible. More information on this can be found within the People section on pages 30-33 of the Group's annual report.

### **S172(1)(C) The need to foster the company's business relationships with suppliers, customers and others**

Delivering our strategy requires strong mutually beneficial relationships with suppliers, customers, Motability Foundation and investors. Supplier engagement and ongoing supplier management is supported by the Company's Purchasing policy and governance provided by the Supplier Management Committee, the terms of which are reviewed and approved periodically. The Board continuously assesses the priorities related to customers and those with whom we do business, and the Board engages with the business on these topics, within the context of its strategy and investment proposals.

### **S172(1)(D) The impact of the company's operations on the community and the environment**

The Directors recognise that having a clear Environmental, Social and Governance (ESG) strategy is vital for future sustainability. In the last year we have set out clear and objective ESG targets, in respect of which good progress has been made. We have also embarked upon a journey to becoming accredited by B-Corp, which we consider to be the highest benchmark for our ESG ambitions. As part of this, the Board has agreed to change the Memorandum and Articles of the Company so that the purpose of the Company is to make a material positive impact on society and the environment. As reported last year, the Company is part of the Carbon Disclosure Programme (CPD) and our rating of B was maintained this year following a thorough review. We also continue to take a proactive approach to managing our CO2 emissions agenda, with a number of initiatives which provide information and choice for our customers; we meet our environmental responsibilities by managing our internal infrastructure and creating a work environment which looks to minimise our carbon footprint. A summary of our sustainability approach is in the Group's annual report on pages 85-86. For the first time, the Group has also produced a Sustainability Report – further details can be found on our website.

### **S172(1)(E) The desirability of the company maintaining a reputation for high standards of business conduct**

Motability Operations is committed to establishing and maintaining a framework of corporate governance that facilitates management in making decisions within an appropriate framework of control that promotes high standards of business conduct. Our reporting against the Wates Principles has been included on pages 60 to 88 of the Group's annual report. Throughout 2025, the Board will continue to review and challenge how the Group can improve engagement with its employees and stakeholders.

### **S172(1)(F) The need to act fairly as between members of the company**

After weighing up all relevant factors, the Directors consider which course of action best enables delivery of our strategy through the long term, taking into consideration the impact on stakeholders. In doing so, our Directors act fairly as between the Company's members but are not required to balance the Company's interest with those of other stakeholders.



## Culture

The Board recognises that it has an important role in assessing and monitoring that our desired culture is embedded in the values, attitudes and behaviours we demonstrate, including in our activities and stakeholder relationships. The Board has established inclusion, empathy, forward thinking, excellence and empowerment as Motability Operations' core values. Our key employee policies, including Bullying & Harassment, Disability Confidence, Diversity, Grievances and Health & Safety, help everyone at Motability Operations act in line with these values and comply with relevant laws and regulations. Our Health and Safety Statement is designed to help protect people and the environment. We also strive to maintain a diverse and inclusive culture. The Board considers the HPO Survey to be one of its principal tools to measure employee engagement, motivation, affiliation and commitment to Motability Operations. It provides insights into employee views and has a consistently high response rate. The Board also utilises this engagement to understand how survey outcomes are being leveraged to strengthen Motability Operations' culture and values.

## Stakeholder engagement (including employee engagement)

The Board recognises the important role Motability Operations has to play in society and is deeply committed to public collaboration and stakeholder engagement. This commitment is at the heart of Motability Operations' strategic ambitions. The Board strongly believes that Motability Operations will only succeed by working with customers, business partners, investors and other stakeholders.

Approved by the Board of Directors on 18 December 2024 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Andrew Miller', with a long, sweeping horizontal stroke extending to the right.

*Andrew Miller*

**Chief Executive Officer**

## The Companies (Miscellaneous Reporting) Regulations 2018

For the year ended 30 September 2024, under The Companies (Miscellaneous Reporting) Regulations 2018, the Company has applied the Wates Corporate Governance Principles for Large Private Companies (published by the Financial Reporting Council (FRC) in December 2018 and available on the FRC website). See pages 56-88 of the Group's annual report for details.

### Statement of disclosure of information to the auditor

In the case of each Director in office at the date the Directors' report is approved, that:

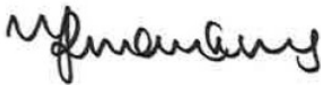
- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's 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.

### Independent auditor

KPMG LLP (Chartered Accountants, 15 Canada Square, Canary Wharf, London E14 5GL) have indicated their willingness to continue in office as auditor. A resolution that KPMG be re-appointed will be proposed at the next Annual General Meeting.

Approved by the Board on 18 December 2024 and signed on its behalf by:



*Julie McManus*

**Company Secretary**

# Independent auditor's report to the members of Motability Operations Limited

## Opinion

We have audited the financial statements of Motability Operations Limited ("the Company") for the year ended 30 September 2024 which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, statement of cash flows, and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2024 and of its loss for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

## Fraud and breaches of laws and regulations – ability to detect

### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of Directors, the Audit Committee, internal audit and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Reading Board and Audit Committee minutes;
- Considering remuneration incentive schemes and performance targets for management and Directors; and
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates such as the residual value of used cars. On this audit we do not believe there is a fraud risk related to revenue recognition because there is limited opportunity to commit fraud due to the lack of inherent complexity in revenue recognition and there is limited perceived pressure on management or incentives to achieve an expected revenue target.

We identified a fraud risk related to residual value of used cars due to the significant judgement involved in the estimate.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. This included journal entries containing key words, journal entries posted to seldom used accounts and journal entries posted by those who seldom post.
- Assessing significant accounting estimates for bias.
- Challenging the assumptions applied in determining the residual value of used cars.

#### ***Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations***

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Directors and others management (as required by auditing standards), and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of Company's license to operate. We identified the following areas as those most likely to have such an effect: anti-bribery, employment law and certain aspects of company legislation recognising the financial and regulated nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

#### ***Context of the ability of the audit to detect fraud or breaches of law or regulation***

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

#### **Strategic report and Directors' report**

The Directors are responsible for the strategic report and the Directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the Directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

## Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you 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 these respects.

## Directors' responsibilities

As explained more fully in their statement set out on page 7, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

## The purpose of our audit work and to whom we owe our responsibilities

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.



**Richard Pinks (Senior Statutory Auditor)**

**for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants

15 Canada Square

London

E14 5GL

**18 December 2024**

## Income statement

For the year ended 30 September

	Note	2024 £m	2023 £m
Revenue	4	6,966.7	5,593.5
Net operating costs excluding charitable donations		(7,120.0)	(4,419.6)
Charitable donations		(0.2)	(250.0)
Net operating costs	6	(7,120.2)	(4,669.6)
(Loss)/profit from operations		(153.5)	923.9
Finance costs	9	(404.9)	(222.8)
(Loss)/profit before tax		(558.4)	701.1
Taxation	10	138.4	(132.9)
(Loss)/profit for the year		(420.0)	568.2

All amounts in current and prior years relate to continuing operations (see note 2).

The profit of Motability Operations is non-distributable and held in the Group for the benefit of the Scheme.

## Statement of comprehensive income

For the year ended 30 September

	2024 £m	2023 £m
(Loss)/profit for the year	(420.0)	568.2
Other comprehensive (loss)/income for the year, net of tax	(0.5)	-
Total comprehensive (loss)/income for the year	(420.5)	568.2

The notes on pages 17 to 38 form part of these financial statements.

# Balance sheet

As at 30 September

	Note	2024 £m	2023 £m
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	11	30.7	49.9
Property, plant and equipment	12	85.8	54.8
Asset held for use in operating leases	13	14,295.3	11,721.4
Trade and other receivables	16	184.3	143.5
		14,596.1	11,969.6
<b>Current assets</b>			
Corporation tax receivable		95.8	73.9
Inventories	14	226.5	237.9
Cash and bank balances	15	3.3	10.7
Trade and other receivables	16	1,656.7	471.9
		1,982.3	794.4
<b>Total assets</b>		16,578.4	12,764.0
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	17	(337.2)	(369.0)
Deferred rental income	18	(326.9)	(236.0)
Provision for customer rebates	19	(31.7)	(32.7)
Financial liabilities	20	(172.7)	(109.9)
		(868.5)	(747.6)
<b>Net current assets</b>		1,113.8	46.8
<b>Non-current liabilities</b>			
Deferred rental income	18	(608.2)	(382.6)
Provision for customer rebates	19	(40.5)	(24.0)
Financial liabilities	20	(28.3)	(17.6)
Deferred tax liabilities	21	(432.8)	(571.2)
Loans from other group companies	31	(11,008.5)	(7,008.9)
<b>Non-current liabilities</b>		(12,118.3)	(8,004.3)
<b>Total liabilities</b>		(12,986.8)	(8,751.9)
<b>Net assets</b>		3,591.6	4,012.1
<b>Equity</b>			
Ordinary share capital	22	9.7	9.7
Hedging reserve		(0.1)	0.4
Restricted reserves *		3,582.0	4,002.0
<b>Total equity</b>		3,591.6	4,012.1

\* Restricted reserves are retained for the benefit of the Scheme. As regards the ordinary shareholders of MO Group, there is no dividend entitlement. A reserves management policy has been established to ensure that the business and the customer proposition are sustainable throughout the economic cycle.

These financial statements on pages 14 to 38 were approved by the Board of Directors on 18 December 2024 and signed on behalf of the Board.



**Andrew Miller**

**Chief Executive**

Motability Operations Limited, Registered no. 01373876

The notes on pages 17 to 38 form part of these financial statements.

## Statement of changes in equity

For the year ended 30 September

	Ordinary share capital £m	Hedging reserve £m	Restricted reserves £m	Total equity £m
At 1 October 2022	9.7	–	3,433.8	3,443.5
Comprehensive income				
Profit for the year	–	–	568.2	568.2
Other comprehensive income	–	0.4	–	0.4
Total comprehensive income	–	0.4	568.2	568.6
At 1 October 2023	9.7	0.4	4,002.0	4,012.1
Comprehensive income				
Loss for the year	–	–	(420.0)	(420.0)
Other comprehensive loss	–	(0.5)	–	(0.5)
Total comprehensive loss	–	(0.5)	(420.0)	(420.5)
At 30 September 2024	9.7	(0.1)	3,582.0	3,591.6

## Statement of cash flows

For the year ended 30 September

	Note	2024 £m	2023 £m
Cash flows from operating activities			
Cash used in operating activities	23	(3,613.4)	(714.9)
Interest paid		(404.9)	(222.8)
Income tax paid		(21.9)	(46.5)
Charitable donations		(0.2)	(250.0)
Net cash flows used in operating activities		(4,040.4)	(1,234.2)
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(26.9)	(2.3)
Proceeds from sale of property, plant and equipment		0.5	0.7
Net cash used in investing activities		(26.4)	(1.6)
Cash flows from financing activities			
New loans raised		3,999.6	1,189.5
Payments of principal portions of lease liabilities		(3.2)	(22.3)
Net cash generated from financing activities		3,996.4	1,167.2
Net decrease in cash and cash equivalents		(70.4)	(68.6)
Cash and cash equivalents at beginning of year		(95.7)	(27.1)
Cash and cash equivalents at end of year	15	(166.1)	(95.7)

The notes on pages 17 to 38 form part of these financial statements.



## Notes to the financial statements

### 1. General information

Motability Operations Limited ('the Company') is a limited company incorporated and domiciled in the United Kingdom, whose shares are privately owned. The address of the registered office is 22 Bishopsgate, London, EC2N 4BQ. The nature of the Company's operations and its principal activities are set out in the Directors' report on page 6.

These financial statements are presented in pounds sterling because this is the currency of the primary economic environment in which the Company operates.

#### Accounting convention

The financial statements have been prepared under the historical cost convention.

### 2. Significant accounting policies

#### Basis of preparation

The financial statements have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The preparation of financial statements in conformity with IFRSs requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the Directors' best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Except as described below, the accounting policies have been applied consistently to the years 2024 and 2023.

#### Adoption of new or revised standards

The following amendments to standards have been adopted in these financial statements. Their adoption has not had any material impact on the amounts reported, nor has it altered accounting policies.

IAS 8 (Amendments) Accounting policies, Changes in Accounting Estimates and Errors: Definition

IAS 1 (Amendments) Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements

IAS 12 (Amendments) Deferred Tax related to Assets and Liabilities arising from a Single Transaction

At the date of authorisation of these financial statements, the following standards, amendments and interpretations were in issue but not yet effective and have not been early adopted by the Group.

IFRS 16 (Amendments) Lease Liability in a Sale and Leaseback

IAS 1 (Amendments) Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current

IAS 12 (Amendments) International Tax Reform – Pillar Two Model rules

IAS 21 (Amendments) The Effects of Changes in Foreign Exchange Rates

IFRS 9 (Amendments) Financial Instruments

IFRS 7 (Amendments) Financial Instruments: Disclosures

IAS 7 (Amendments) Statement of Cash Flows

IFRS 18 Presentation and Disclosure in Financial Statements

The Directors anticipate that the adoption of these standards, amendments and interpretations in future periods is not likely to have a material effect on the financial statements of the Group, and do not plan to apply any of the new or amended IFRSs in advance of their required dates.

Other standards, amendments and interpretations not described above are not significant in scope to the Company's financial statements.

#### IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts is effective for accounting periods commencing on or after 1 January 2023. The Group has completed its assessment of the impact of IFRS 17 and reached the conclusion that there are no contracts within the consolidated Group that meet the definition of an insurance contract under IFRS 17.

## Going concern

As covered in the Strategic and Directors' Reports, the Company's business activities are managed on the same basis as the Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Group Strategic report on pages 2 to 54. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Chief Finance Officer's statement on pages 15 to 19. In addition, note 36 to the Group financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit, liquidity and foreign exchange risk.

The Directors continue to adopt the going concern basis in preparing the financial statements, which is deemed appropriate for the reasons described below.

The Company has considerable financial resources, with restricted reserves of £3,582.0m at 30 September 2024, together with a long-term contract with Motability Foundation to operate the Motability Scheme.

Funding for the Company is provided by the Group parent company by way of intercompany loans. As detailed in note 2 of the Group financial statements the Group has sufficient resources to meet its liabilities without the need to issue debt under the Euro Medium Term Note Programme.

The year ended 30 September 2024 saw a record 14.7% growth in customer numbers with the closing fleet standing at 815k. This growth was driven by improvements in new vehicle supply across the UK which has enabled us to make significant progress in fulfilling the customer order bank (which had built steadily during 2022 to 2023). It was also supported by a record 170k new customers joining the Scheme – a consequence of the growth in the eligible base of recipients of the qualifying Disability Allowances.

Inflation across our supply chain, most notably insurance where average UK motor insurance costs are 23% higher than they were one year ago, has impacted our financial results for the year. Through this inflationary period, we have continued to support our customers through New Vehicle Payments and EV Investment programmes. With new-vehicle supply returning to the market, the year saw a rebalancing of the used-vehicle values, with a significant drop in prices in the final quarter of 2023. Since then, used values have stabilised and whilst the overall fleet revaluation reflects a surplus, there has been a deterioration in the residual values of asset returning in 2027. The inflationary pressure on fleet operating costs, continued investment in customer support programmes and deterioration in future residual values has resulted in an impairment charge in the year and a post-tax loss of £416.3m for the Group.

More information is available on page 100 of the Group Annual Report.

The Directors have prepared budgets and cash flow forecasts for the period to 30 December 2024 by means of a baseline forecast. The baseline forecast is based on economic conditions and forecasts as at 30 September 2024.

In addition, the Directors have applied severe, yet plausible, downside scenarios to the baseline forecast, reflecting the potential effects to operations and financial performance as the country and economy recovers from the Covid-19 pandemic. These include a deterioration in revenue from disposal of operating lease assets and an inability to issue debt under the Euro Medium Term Note Programme, should it be required.

Within both the baseline and stressed forecasts the Company has significant headroom to continue to fund the business and meet its liabilities. The forecast headroom in the event of these severe, yet plausible, scenarios coming to fruition indicates that no mitigating action is required.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

## Intangible assets

Intangible assets represent computer software costs. In accordance with IAS 38, computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software and includes capitalised internal labour where appropriate. These costs are amortised on a straight-line basis over their estimated useful lives, between three and seven years. Annually intangible assets are reviewed for impairment triggers which in these cases would be idleness or loss of use of the assets.

## Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and provision for any impairment in value. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. The carrying values of all other tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Depreciation is calculated to write down assets, on a straight-line basis, over the estimated useful life of the assets as follows:

Motor vehicles (company cars)	Four years
Leasehold improvements	Remaining term of lease
Fixtures, fittings and office equipment	Three years

The estimated useful life of right-of-use assets is to the end of the lease contracts. The lease maturity dates are disclosed in note 25. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within net operating costs in the income statement. Property, plant and equipment assets are reviewed annually for impairment triggers meaning loss/cessation of use.

### Assets held for use in operating leases

Assets leased to customers, under agreements which do not transfer substantially all the risks and rewards of ownership, are classified as operating leases. Operating lease assets are capitalised and depreciated on a straight-line basis over their anticipated useful lives to estimated residual values. Estimated residual values are reviewed at the balance sheet date against the latest used-car price information and any resulting changes are accounted for prospectively as a recalibration of depreciation for the year and remaining lease term.

Assets are reviewed annually for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable, considering both external as well as internal sources of information. If such an indication for impairment exists, an analysis is performed to assess whether the carrying value of the assets exceeds the recoverable amount. An impairment charge is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the value in use. The value in use is determined as the present value of the future cash flows expected to be derived from each monthly tranche of leases by lease inception date (as cash generating units). This is done at a monthly tranche level as the lowest possible level of aggregation given the portfolio characteristics of the leased fleet in terms of future costs and the uncertainty of future early termination rates which would impact the prospects of individual vehicle assets.

Any impairment charge is unwound when either the tranche of leases affected comes to an end or there has been a change in the estimates used to determine the recoverable amount. An impairment charge is reversed only to the extent of the asset's carrying amount that would have been determined, net of depreciation, if no impairment charge had been recognised.

### Inventories

Operating lease assets are transferred to inventories at their carrying amount when they cease to be leased and become held for sale. Inventories are subsequently measured at the lower of their transfer value and net realisable value.

### Revenue recognition – leasing (IFRS 16)

Revenue comprises both advance rentals payable directly by lessees and periodic rentals receivable from lessees by means of mandated payments of: the Higher Rate Mobility Component of the Disability Living Allowance; the War Pensioners' Mobility Supplement; the Enhanced Rate of the Mobility Component of the Personal Independence Payment; or the Armed Forces Independence Payment. The total rental receivable under each leasing contract is then split further into leasing revenue, in-life service costs revenue and insurance cover related revenue. The terms of payment of the overall rental are as described above – a single upfront payment where applicable followed by mandated four-weekly payments from the relevant Government agency.

The rental revenue comprises the fair value of the consideration received or receivable for the goods and services provided. Rental revenue (including advance rentals) from operating leases is recognised on a straight-line basis over the lease term.

Proceeds from disposal of operating lease assets are recognised when the physical vehicles have been sold and control of the vehicles has been passed to the buyer at the point of sale (usually to a car dealership or at auction).

#### *Provisions for customer rebates*

Rental income received in respect of conditional customer rebates is not recognised as revenue to the extent that it is expected to be repaid to customers on the returning of their leased assets.

### Revenue recognition - in-life service costs and insurance services (IFRS 15)

Rental income received in respect of in-life service costs (ILSC) or insurance services is deferred to the extent that it relates to future performance obligations under each of these two elements of the contract. For each of these two revenue streams, the measure of progress selected as the most appropriate measure to depict the Group's performance in transferring control of services promised to the customer is the 'cost-to-cost' input method (that is, costs incurred relative to total estimated costs). These are performance obligations which are satisfied at specific times as routine or recurring services during the period of contract, so using relative costs to determine the completion rate is appropriate.

Management has made a judgement in applying the disaggregation of the contractual obligations to treat ILSC and insurance cover rentals as separate revenue streams (and not to disaggregate any further). This is due to a) maintenance, servicing, tyres, windscreens and breakdown cover all being similar in nature in terms of keeping vehicles on the road in good condition and having a well-established history of timing effects in terms of the historic spend curve of such services and b) the insurance element being a separate obligation with different timing characteristics. All other services provided relate to the leasing of the vehicle itself and are outside the scope of IFRS 15.

ILSC spend curves occur because such services are back-loaded for a new vehicle, as maintenance costs are lower in the first year of a vehicle's life compared with later years. For insurance, premium payments to the Group's fronting insurer are

generally expected to rise every six months, so that the obligation to pay premiums in the latter stages of a lease is typically higher than the early stages, requiring a deferral of revenue recognised.

Margins have been applied to each of these revenue streams giving due consideration to possible future increases to prices in both the ILSC and insurance sectors, to protect these revenue streams from impairment in the event of such increases. To do so, past changes in historical spending curves are reviewed.

All historical spending curves are reviewed periodically to ensure that they remain a fair representation of the expected changes in cost profiles as a proxy for performance obligations in line with the leasing contracts.

### Net operating costs

Net operating costs comprise: net book value of disposed-of ex-operating lease assets, depreciation, insurance, maintenance, dealer supply and service payments, roadside assistance, charitable donations and other Scheme-related costs including the overheads. An analysis is provided in note 6.

The Company's insurance costs are presented net of a profit sharing arrangement with the fronting insurer. These premium rebates are recognised as receivable by the Company once loss ratios are determined following actuarial review, in line with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Overheads include the cost to the Company of the Directors' long-term incentives, recognised on an accruals basis over the period to which the performance criteria relate, adjusted for changes in the probability of performance criteria being met or conditional awards lapsing.

### Charitable donations

Charitable donations are recognised when paid, or when a constructive obligation is established by the creation of a clearly communicated expectation in sufficient detail to effectively make the obligation irrevocable.

### Finance costs

Finance costs are recognised as an expense on an accruals basis using the straight-line method, as this is materially equivalent to the effective interest rate method for the Company.

### Retirement benefit costs

Company pension contributions are calculated as a fixed percentage of the pensionable salaries of eligible employees. These contributions are charged in the period to which the salary relates. The Company pension scheme is a defined contribution scheme. The Company has no further payment obligations once the contributions have been paid.

### Taxation

Taxation on the profit for the year comprises both current and deferred tax as well as adjustments in respect of prior years. Taxation is recognised in the income statement, except to the extent it relates to items recognised in other comprehensive income or directly in equity, in which case the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the profit for the period, using tax rates enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all temporary differences between the carrying value of assets and liabilities for reporting purposes and the amounts charged or credited for tax purposes. Deferred tax is calculated at the rate of tax expected to apply when the liability is settled or the asset is realised using tax rates enacted or substantively enacted by the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profit will be available against which the asset can be utilised. Any estimates of rate change effect on the measurement of deferred tax balances are disclosed separately.

### Long-term incentive arrangements

Payments falling due under long-term incentive arrangements depend upon length of service and performance criteria. The cost is recognised during the years in which services are rendered subject to meeting specific performance requirements.

### Share capital

Ordinary share capital is classified as equity.

## Financial instruments

Financial assets and liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities comprise trade and other receivables, cash and cash equivalents, trade and other payables and bank overdrafts.

### Financial assets

#### *Trade and other receivables*

Trade and other receivables are non-derivative finance assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods and services directly.

Trade receivables do not carry any interest and are stated at their nominal value, which approximates to the fair value because of their short maturities, as reduced by appropriate provisions for estimated irrecoverable amounts. These provisions are established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables, and under tests for expected credit losses (see below).

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash and bank balances and bank overdrafts. Cash and bank balances comprise cash held by the Company and cash in the course of transmission and collection. The carrying value of these assets approximates to their fair value and are also subject to expected credit loss reviews under IFRS 9 (see below). In the balance sheet, bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

#### *Expected credit losses (ECL)*

With the adoption of IFRS 9, expected credit loss or ECL adjustments are calculated for trade receivables, cash and cash equivalents and inter-company balances. The key elements used in the calculation of ECL are: the probability of default, the loss given a default occurring, and the exposure at default. The measurement is a probability weighted estimate of credit losses over the expected life of the financial instrument.

#### *Financial instruments*

Financial assets and liabilities include trade and other receivables, cash and cash equivalents and financial liabilities including trade and other payables.

#### *Recognition and initial measurement*

Trade receivables are initially recognised when originated, and initially measured at the transaction price. Other financial assets are recognised when the Company becomes a party to the contractual provisions of the instrument and are initially valued including transaction costs directly attributable to their acquisition or issue.

### Financial liabilities: classification, subsequent measurement and gains and losses

#### *Trade and other payables*

Trade and other payables are recognised when the Company has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation and reliable estimates of the amount of obligation can be made.

Trade and other payables are short-term financial liabilities which do not carry any interest and are stated at their nominal value, which approximates to the fair value because of their short maturities.

#### *Financial liabilities*

Financial liabilities are recognised initially at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis. Short-term financial liabilities, such as bank overdrafts, are measured at nominal value, which approximates to the fair value because of their short maturities.

#### *Right-of-use asset lease liabilities*

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is made available for use. Lease payments are allocated between the liability and finance costs. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. The right-of-use asset is depreciated over the shorter of its useful life and the lease term on a straight-line basis. In determining the lease term, we consider all the facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option over the planning horizon of five years.

In general, it is not expected that the discount rate implicit in the lease is available so the lessee's incremental borrowing rate is used. This is the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Any lease modification to our property leases will be accounted for as a separate lease if both a) the modification increases the scope of the lease by adding the right to use one or more underlying assets and b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope.

#### *Derecognition*

Financial assets are derecognised when contractual rights to the cash flows expire or are transferred along with substantially all the risks and rewards of ownership. Financial liabilities are derecognised when the contractual obligations are discharged or cancelled, or expire. The Company would also derecognise a financial liability when its terms are modified and the cash

flows of the modified terms are substantially different, in which case a new financial liability based on the modified terms would be recognised at fair value.

### 3. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, 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.

Judgements are made when applying significant accounting policies and disclosed below where these judgements materially affect the reported number.

#### Key estimate: Residual values of operating lease assets

The method by which the Directors have determined the Company's residual values of the operating lease assets is described in note 13, and the impact of the change in estimates during the year is also disclosed in note 6.

#### Sensitivity analysis

Because of the inherent uncertainty associated with such valuation methodology and in particular the volatility of the prices of second-hand vehicles, the carrying value of the operating lease assets may differ from their realisable value (see note 13). As at 30 September 2024, if the value of the expected net sales proceeds for our existing portfolio of operating leases were to decrease/increase by 1% from our estimates (1% being a reasonable, scalable base unit for movements in the used-car market), the effect would be to increase/decrease the depreciation on these vehicles by £118.7m (2023: £101.9m). Approximately 25% of this will crystallise at the end of the contracts (in particular in cases where the leases terminate early) but for the majority of the fleet a revaluation exercise is undertaken in order to prospectively adjust the depreciation expense over the remaining terms of the leases. This would be booked from the start of the current accounting year onwards. A 1% fall would increase this year's depreciation charge by approximately £38.6m (2023: £23.5m). A 1% rise would decrease this year's depreciation charge by approximately £38.6m (2023: £20.3m).



## 4. Revenue

	2024 £m	2023 £m
Proceeds from disposal of operating lease assets (I)	3,961.5	3,092.3
Rentals receivable from operating lease assets (II)	1,831.8	1,511.1
Rentals receivable from operating lease in-life services	257.4	229.7
Rentals receivable from operating lease insurance	716.7	630.1
Insurance reimbursements from disposal of operating lease assets	194.8	128.4
Other income	4.5	1.9
<b>Total revenue</b>	<b>6,966.7</b>	<b>5,593.5</b>

(I) During the year the Company made a gain of £73.9m on the disposal of operating lease assets (2023: £678.1m).

(II) Rentals receivable from operating lease assets are presented net of £152.6m charged due to the New Vehicle Payment programme of lease incentives (2023: £78.9m)

## 5. Segmental analysis

Motability Operations Limited is managed as a single integrated business unit. Accordingly, no segmental analysis is applicable.

## 6. Net operating costs

An analysis of the Company's net operating costs is provided below:

	2024 £m	2023 £m
Net book value of disposed operating lease assets	3,887.8	2,414.2
Net book value of operating lease assets derecognised as insurance write-offs	152.4	85.5
Fleet operating costs including insurance, maintenance and roadside assistance costs*	1,137.9	1,034.4
Charitable donation	0.2	250.0
Other operating costs	54.6	71.0
Employee costs	123.8	105.1
Other product costs including continuous mobility, adaptations support, communications	166.2	145.6
Legal and professional fees	42.6	46.9
Bad debt charges and movement in bad debt provisions	1.2	1.3
Management fees	0.8	0.8
<b>Net operating costs before depreciation</b>	<b>5,567.5</b>	<b>4,154.8</b>
Depreciation on assets used in operating leases	1,176.2	467.9
Impairment charge for assets used in operating leases	348.8	-
Depreciation and amortisation on property, plant and equipment and intangible assets	27.7	46.9
<b>Net operating costs</b>	<b>7,120.2</b>	<b>4,669.6</b>

\* These costs are presented net of insurance premium rebates in line with the accounting policy in note 2.

The depreciation charge on assets used in operating leases includes a £21.3m charge (2023: £509.5m release) relating to the change in estimate during the year of future residual values (see note 13).

## 7. Auditor's remuneration

	2024 £m	2023 £m
<b>Audit fees</b>		
Auditor's remuneration:	0.2	0.1
<b>Total audit fees</b>	<b>0.2</b>	<b>0.1</b>
<b>Other fees payable to auditor</b>		
Auditor's remuneration: Audit fees paid on behalf of Parent and its other subsidiaries	0.5	0.5
Audit-related assurance services	0.1	0.1
Tax compliance services	-	-
Tax advisory services	-	-
Internal audit services	-	-
Other assurance services	-	0.1
Corporate finance services	-	-
<b>Total other fees payable to auditor</b>	<b>0.6</b>	<b>0.7</b>

## 8. Employee costs

The average monthly number of persons employed on a full-time equivalent basis (including Executive Directors) was:

	2024	2023
Administrative staff	1,559	1,395

The breakdown of staff costs is as follows:

	2024 £m	2023 £m
Wages and salaries	100.8	85.9
Social security costs	11.1	9.6
Other pensions costs	11.9	9.6
<b>Total employee costs</b>	<b>123.8</b>	<b>105.1</b>

## 9. Finance costs

	2024 £m	2023 £m
Interest and bank charges	1.2	0.8
Interest on loan from MO Group plc	403.7	222.0
<b>Total finance costs</b>	<b>404.9</b>	<b>222.8</b>

## 10. Taxation

The major components of the Company's tax expense are:

	2024 £m	2023 £m
<b>Current tax</b>		
Charge for the year	–	–
Adjustments recognised in the current year in relation to the current tax of prior years	–	4.1
<b>Total</b>	<b>–</b>	<b>4.1</b>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	149.5	(89.7)
Adjustments in respect of prior years	(11.1)	(4.1)
Impact of change in UK tax rate	–	(43.2)
<b>Total</b>	<b>138.4</b>	<b>(137.0)</b>
<b>Total tax credit/(charge) on profit</b>	<b>138.4</b>	<b>(132.9)</b>

The tax on the Company's profit differs from the theoretical amount that would arise using the weighted average tax rate applicable as follows:

	2024 £m	2023 £m
(Loss)/profit before tax	(558.4)	701.1
Tax calculated at appropriate rates (2024: 25%, 2023: 22%)	139.6	(154.2)
Non-taxable capital gains	30.1	67.9
Expenses not deductible for tax purposes	(0.5)	(3.4)
Adjustments recognised in the current year in relation to the current tax of prior years	–	(4.1)
Adjustment for prior year deferred tax	(11.1)	4.1
Re-measurement of deferred tax due to change in the UK corporation tax rate	–	(43.2)
Effects of group relief	(19.7)	–
<b>Total tax credit/(charge) on profit</b>	<b>138.4</b>	<b>(132.9)</b>

2024 results were taxable at 25% tax rate.

Following the substantive enactment of legislation in Parliament on 24 May 2021 the standard rate of corporation tax in the UK changed from 19% to 25% with effect from 1 April 2023 onwards. Accordingly, 2023 profits were taxable at 22% for this accounting year but deferred tax were re-measured at the rate at which timing differences are expected to reverse (see note 21).

The Company's effective tax rate (excluding the impact of changes to future UK tax rates and prior year adjustments) is 26.8% (2023: 12.8%). This is different to the standard rate due to non-taxable capital gains on disposals of motor vehicles for values above cost, and non-deductible expenses consisting predominantly of depreciation on leasehold improvements and preference dividends payable.



## Tax paid

Under HMRC's quarterly instalments regime for corporation tax only one instalment become payable during the year (in December 2023). During 2024, the Company paid £12.0m and had a current tax of £nil (2023: £46.6m and had a tax credit of £4.1m). The cumulative effect is a debtor balance of £95.8m (2023: a debtor balance of £73.9m), shown as corporation tax receivable at the year end.

## 11. Intangible assets

Cost	£m
At 1 October 2022	158.6
Additions	–
At 1 October 2023	158.6
Additions	–
<b>At 30 September 2024</b>	<b>158.6</b>
<b>Accumulated amortisation</b>	
At 1 October 2022	84.7
Charge for the year	24.0
At 1 October 2023	108.7
Charge for the year	19.2
<b>At 30 September 2024</b>	<b>127.9</b>
<b>Carrying amount</b>	
At 1 October 2022	73.9
Additions	–
Amortisation	(24.0)
At 1 October 2023	49.9
Additions	–
Amortisation	(19.2)
<b>At 30 September 2024</b>	<b>30.7</b>

The intangible assets relate to IT system projects.

## 12. Property, plant and equipment

Cost	Motor vehicles £m	Leasehold improvements £m	Right-of-use leased assets (property) £m	Land and buildings £m	Fixtures, fittings and office equipment £m	Total £m
At 1 October 2022	2.7	41.5	51.3	30.2	8.9	134.6
Additions	1.4	0.1	–	0.2	0.6	2.3
Disposals	(1.2)	(1.9)	(4.7)	(10.0)	–	(17.8)
At 1 October 2023	2.9	39.7	46.6	20.4	9.5	119.1
Additions	2.0	8.3	12.9	15.4	1.2	39.8
Disposals	(1.1)	–	–	–	–	(1.1)
<b>At 30 September 2024</b>	<b>3.8</b>	<b>48.0</b>	<b>59.5</b>	<b>35.8</b>	<b>10.7</b>	<b>157.8</b>
<b>Accumulated depreciation</b>						
At 1 October 2022	1.5	18.2	14.8	–	7.9	42.4
Charge for the year	0.7	3.0	18.3	–	0.9	22.9
Eliminated on disposals	(1.0)	–	–	–	–	(1.0)
At 1 October 2023	1.2	21.2	33.1	–	8.8	64.3
Charge for the year	0.8	3.2	3.8	–	0.7	8.5
Eliminated on disposals	(0.8)	–	–	–	–	(0.8)
<b>At 30 September 2024</b>	<b>1.2</b>	<b>24.4</b>	<b>36.9</b>	<b>–</b>	<b>9.5</b>	<b>72.0</b>

#### Carrying amount

At 1 October 2022	1.2	23.3	36.5	30.2	1.0	92.2
Additions	1.4	0.1	–	0.2	0.6	2.3
Disposals	(0.2)	(1.9)	(4.7)	(10.0)	–	(16.8)
Depreciation	(0.7)	(3.0)	(18.3)	–	(0.9)	(22.9)
At 1 October 2023	1.7	18.5	13.5	20.4	0.7	54.8
Additions	2.0	8.3	12.9	15.4	1.2	39.8
Disposals	(0.3)	–	–	–	–	(0.3)
Depreciation	(0.8)	(3.2)	(3.8)	–	(0.7)	(8.5)
At 30 September 2024	2.6	23.6	22.6	35.8	1.2	85.8

At 30 September 2024, the Company had entered into contractual commitments in respect of capital expenditure on property, plant and equipment amounting to £14.2m (2023: £nil). These amounts relate to the development of newly acquired land and buildings.

### 13. Assets held for use in operating leases

Cost	Motor vehicle assets £m
At 1 October 2022	10,646.1
Additions	5,238.4
Transfer to inventories (note 14)	(3,236.1)
At 1 October 2023	12,648.4
Additions	8,127.7
Transfer to inventories (note 14)	(4,651.3)
At 30 September 2024	16,124.8

#### Accumulated depreciation

At 1 October 2022	1,081.6
Charge for the year	467.9
Eliminated on transfer to inventory (note 14)	(622.5)
At 1 October 2023	927.0
Charge for the year	1,176.2
Impairment charge	348.8
Eliminated on transfer to inventory (note 14)	(622.6)
At 30 September 2024	1,829.4

#### Carrying amount

At 1 October 2022	9,564.5
Additions	5,238.4
Depreciation	(467.9)
Transfer to inventory (note 14)	(2,613.6)
At 1 October 2023	11,721.4
Additions	8,127.7
Depreciation	(1,525.0)
Transfer to inventory (note 14)	(4,028.8)
At 30 September 2024	14,295.3

#### Residual values

Residual values represent the estimated net sale proceeds expected from the sale of the asset at the end of the leasing period. A review is undertaken at the balance sheet date using market data to identify net residual values which could differ from the sum anticipated at the inception of the lease. The assets' resale market value and disposal costs structure are monitored and the process of realising asset values is managed in order to seek to maximise the net sale proceeds.

The following residual values are included in the calculation of the net book value of fixed assets held for use in operating leases:

#### Years in which unguaranteed residual values are recovered

	2024 £m	2023 £m
Within 1 year	2,590.7	3,532.7
Between 1 – 2 years	3,587.6	2,778.1
Between 2 – 5 years	5,691.1	3,879.7
<b>Total exposure</b>	<b>11,869.4</b>	<b>10,190.5</b>

The total unguaranteed residual value exposure presented above consists of the original priced residual values net of revisions in estimation (see the 'key sources of estimation uncertainty' in note 3). The amounts resulting from changes in estimates on the live fleet at the balance sheet date are detailed below, together with the timing of the effects on the income statement.

#### Effects of changes in estimates included in the unguaranteed residual values above

	2024 £m	2023 £m
Amounts released in prior years	639.5	697.5
Amounts adjusted in current year*	(21.3)	509.5
Total adjustments to depreciation carried at 30 September**	618.2	1,207.0
Amounts to be adjusted in future years	(181.9)	438.0
<b>Total increase in estimated residual value</b>	<b>436.3</b>	<b>1,645.0</b>

\* The amounts adjusted in the current year are recognised as depreciation on assets used in operating leases (see note 6).

\*\* The total adjustment to depreciation carried at 30 September 2024 of £618.2m (2023: £1,207.0m) is included within the accumulated depreciation balance of £1,829.2m (2023: £927.0m) on assets held for use in operating leases

#### Impairment charges included in the net book value of operating leases

At each balance sheet date, a review is undertaken for triggers of impairment of the carrying value of the assets.

Impairment is defined as a position where the net book value is higher than the 'value in use'. Value in use represents the estimated future cash flows to be derived from continuing use of the asset, measured after applying an appropriate discount rate.

For the leased fleet, this is done by an evaluation by tranches of leases based on their month of inception. Where the net book value at the balance sheet date is too high, an impairment charge is booked to bring the carrying amount into line with the value in use.

At 30 September 2024, following the re-estimation of the residual values, an impairment review was undertaken which resulted in impairment charges of £348.8m (30 September 2023: £nil), which are expected to unwind during the next three financial years, as presented below:

	2024 £m
No later than one year	150.8
Later than one year and no later than two years	141.7
Later than two years and no later than three years	56.3
<b>Total</b>	<b>348.8</b>

#### The Company as lessor

The future rentals receivable for operating lease assets under non-cancellable operating leases with customers, calculated with reference to the relevant Disability Allowances, for each of the following five periods after the balance sheet date are:

	2024 £m	2023 £m
No later than one year	1,657.6	1,381.5
Later than one year and no later than two years	1,005.6	778.2
Later than two years and no later than three years	306.6	267.2
Later than three years and no later than four years	11.2	10.8
Later than four years and no later than five years	3.5	3.5
<b>Total</b>	<b>2,984.5</b>	<b>2,441.2</b>

## 14. Inventories

As at the 30 September 2024, the value of the ex-operating lease assets held for sale (net) was £226.5m (2023: £237.9m).

Inventories represent the operating lease assets previously held for rental which cease to be rented and become held for sale as of the balance sheet date. As of the balance sheet date, £nil has been provided against irrecoverable vehicles (2023: £nil). During the year there was no change to the provision and no write off (2023: no change to the provision and no write-off).

The total value of inventories recognised as expense and included in net operating costs amounted to £4,040.2m (2023: £2,499.7m).

The movement of these inventories in 2024 and 2023 are as follows:

	£m
At 1 October 2022	124.0
Transfer from operating lease assets (note 13)	2,613.6
Disposals	(2,499.7)
At 1 October 2023	237.9
Transfer from operating lease assets (note 13)	4,028.8
Disposals	(4,040.2)
At 30 September 2024	226.5

## 15. Cash and cash equivalents

	2024 £m	2023 £m
Cleared balances	3.3	10.5
Cash in the course of collection	–	0.2
<b>Cash and bank balances</b>	<b>3.3</b>	<b>10.7</b>

	2024 £m	2023 £m
Cleared overdrafts	–	(0.3)
Cash in the course of transmission	(169.4)	(106.1)
<b>Bank overdrafts and cash in the course of transmission</b>	<b>(169.4)</b>	<b>(106.4)</b>

Cash and bank balances comprise cash held by the Company. The carrying amount of these assets approximate to their fair value. Cash in the course of transmission represents committed transactions that have not cleared the bank at the year end and are not therefore shown in bank overdrafts.

For the purposes of the cash flow statement, cash and cash equivalents are as follows:

	2024 £m	2023 £m
Cash and bank balances	3.3	10.7
Bank overdrafts and cash in the course of transmission (see note 20)	(169.4)	(106.4)
<b>Cash and cash equivalents</b>	<b>(166.1)</b>	<b>(95.7)</b>

## 16. Trade and other receivables

	2024 £m	2023 £m
Trade receivables	256.0	146.1
Other receivables	182.1	156.2
Amounts due from MO Group plc	934.3	–
Prepayments and accrued income	468.6	313.1
<b>Total</b>	<b>1,841.0</b>	<b>615.4</b>

Trade receivables include an allowance for estimated irrecoverable amounts of £3.9m (2023: £2.2m). This allowance has been made by reference to past default experience and the ECL rules of IFRS 9. During the year there was a £1.7m increase to the provisions and £nil receivables written off (2023: £0.1m decrease in provision and £nil written off). The average receivable days' period is thirteen days (2023: nine days).

The Directors consider that the carrying value of trade and other receivables approximates to their fair value. All balances are non-interest bearing and denominated in sterling.

The Company's principal source of rental income is from customers who assign their allowances to the Company via the Department for Work and Pensions (DWP) in order to access the Scheme. This process of assigning allowances ensures that

the Company's rental income flows directly from the DWP to the Company and hence rental credit risk is very low. A small residual credit risk arises from miscellaneous customer billings, monies due from dealers, auction houses and vehicle manufacturers. The Company's management carries out regular credit assessments of the limits set for auction houses, manufacturers and dealers.

Included in the Company's trade receivable balance are receivables with a carrying value of £34.8m (2023: £6.7m) which are past due at the reporting date. The Company has not set aside provisions for these amounts as there has not been a significant change in credit quality and the amounts are still considered to be recoverable. The Company does not hold any collateral over these balances. The average past due period of these receivables is nine days (2023: nineteen days).

Ageing of past due but not impaired receivables:

	2024 £m	2023 £m
Past due by 1-30 days	31.0	4.3
Past due by 31-60 days	2.9	1.8
Past due by 61-90 days	0.2	0.6
Past due by 91-120 days	0.7	–
Past due by more than 120 days	–	–
<b>Total</b>	<b>34.8</b>	<b>6.7</b>

## 17. Trade and other payables

	2024 £m	2023 £m
Trade payables	138.3	141.5
Social security and other taxes	2.8	2.6
Accruals	194.1	142.6
Other payables	0.3	–
Amounts payable to MO Group plc	–	77.4
Advance rental payments received from agencies	1.7	4.9
<b>Total</b>	<b>337.2</b>	<b>369.0</b>

Trade payables and accruals principally comprise amounts outstanding for trade purchases and on-going costs. The Company's trade payables are predominantly purchases of vehicles which are paid immediately. The average credit periods taken for the other trade purchases, mainly insurance premiums, are 30 days (2023: 30 days).

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

## 18. Deferred rental income

	2024 £m	2023 £m
Customers' advance payments *	345.4	237.0
Vehicle in-life service income	(2.2)	2.0
Vehicle insurance income	(16.3)	(3.0)
<b>Total current</b>	<b>326.9</b>	<b>236.0</b>
Customers' advance payments *	387.7	275.9
Vehicle in-life service income	114.6	79.8
Vehicle insurance income	105.9	26.9
<b>Total non-current</b>	<b>608.2</b>	<b>382.6</b>
<b>Total</b>	<b>935.1</b>	<b>618.6</b>

\* Customers may choose a leased vehicle where the price exceeds the mobility allowance. In such cases they make an advance rental payment which is recognised over the life of the lease.

## Deferred income balances

Significant changes in the deferred income balances under IFRS 15 during the period are as follows:

	In-life services income £m	Insurance income £m	Total £m
At 1 October 2022	76.6	28.5	105.1
Revenue recognised that was included in the deferred income balance at the beginning of the period	(35.8)	(14.9)	(50.7)
Increases due to cash received, excluding amounts recognised as revenue during the period	41.0	10.3	51.3
At 30 September 2023	81.8	23.9	105.7
At 1 October 2023	81.8	23.9	105.7
Revenue recognised that was included in the deferred income balance at the beginning of the period	(36.6)	(8.3)	(44.9)
Increases due to cash received, excluding amounts recognised as revenue during the period	67.2	74.0	141.2
At 30 September 2024	112.4	89.6	202.0

## Transaction price allocated to the remaining performance obligations

The future rentals receivable for in-life service costs under non-cancellable operating leases with customers, calculated with reference to the relevant Disability Allowances, for each of the following five periods after the balance sheet date are:

	2024 £m	2023 £m
No later than one year	266.4	180.6
Later than one year and no later than two years	204.2	131.0
Later than two years and no later than three years	79.5	59.5
Later than three years and no later than four years	9.0	5.7
Later than four years and no later than five years	3.6	2.1
<b>Total</b>	<b>562.7</b>	<b>378.9</b>

The future rentals receivable for insurance cover under non-cancellable operating leases with customers, calculated with reference to the relevant Disability Allowances, for each of the following five periods after the balance sheet date are:

	2024 £m	2023 £m
No later than one year	727.9	484.2
Later than one year and no later than two years	553.9	350.6
Later than two years and no later than three years	208.5	150.8
Later than three years and no later than four years	9.0	6.3
Later than four years and no later than five years	3.3	2.4
<b>Total</b>	<b>1,502.6</b>	<b>994.3</b>

## 19. Provision for customer rebates

	Good condition payments £m	Return to dealer payments £m	WAV support £m	Total £m
At 1 October 2022	215.8	1.9	5.9	223.6
Additional provisions accrued during the year	129.4	–	–	129.4
Utilised during the year	(289.1)	(1.3)	(5.9)	(296.3)
At 1 October 2023	56.1	0.6	–	56.7
Additional provisions accrued during the year	75.4	0.1	–	75.5
Utilised during the year	(60.0)	–	–	(60.0)
At 30 September 2024	71.5	0.7	–	72.2

## Analysis of provisions

	2024 £m	2023 £m
Included in non-current liabilities	40.5	24.0
Included in current liabilities	31.7	32.7
<b>Total</b>	<b>72.2</b>	<b>56.7</b>

Customer rental rebates occur under three conditions at the end of the contract:

- Good condition payments can be earned for keeping the vehicle in good condition during the lease
- Return to dealer payments are payable in some situations when a lease terminates early and the vehicle is returned to the dealership
- WAV (Wheelchair Accessible Vehicle) support rebates may be payable at the end of a full five-year lease term

These balances are always subject to some degree of uncertainty as the Board keeps the amounts of the bonus payments under review.

## 20. Financial liabilities

	2024 £m	2023 £m
<b>Current</b>		
Bank overdrafts and cash in the course of transmission	169.4	106.4
Right-of-use asset lease liabilities	3.3	3.5
<b>Total current</b>	<b>172.7</b>	<b>109.9</b>
<b>Non-current</b>		
Provision for restoration works*	6.4	5.6
Right-of-use asset lease liabilities	21.9	12.0
<b>Total non-current</b>	<b>28.3</b>	<b>17.6</b>
<b>Total</b>	<b>201.0</b>	<b>127.5</b>

The financial liabilities are repayable as follows:

	2024 £m	2023 £m
On demand or due within one year	172.7	110.0
Due within two years	6.0	2.1
Due within two to five years	9.7	6.1
Due in more than five years	12.6	9.3
<b>Total</b>	<b>201.0</b>	<b>127.5</b>

All borrowings are denominated in sterling and at floating rates.

\* The provision for restoration works relates to costs to restore properties with leasehold improvements to appropriate conditions as specified within the lease contracts at the end of the leases.

At 30 September 2024 and 30 September 2023, the Company had the following undrawn committed borrowing facilities:

	2024 £m	2023 £m
Working capital facility	100.0	-
<b>Total</b>	<b>100.0</b>	<b>-</b>

As at 30 September 2024 and 2023, the fair value of borrowings approximates to their carrying values, due to the fact that all the borrowings consist of overdrafts which are short term and carry floating interest rates.

Right-of-use asset lease liabilities are exempt from fair value disclosure under IFRS 7 paragraph 29(d).

## 21. Deferred tax

The following are the deferred tax liabilities recognised by the Company and movements thereon during the current and prior reporting years.

	Accelerated depreciation £m	Accelerated tax depreciation £m	Short-term timing differences £m	Total £m
<b>Net at 1 October 2022</b>	(3.1)	437.6	(0.3)	434.2
Charge to income statement	1.0	88.7	–	89.7
Adjustment in respect of prior years	–	4.1	–	4.1
Impact of change in UK tax rate	0.3	42.9	–	43.2
<b>Net at 1 October 2023</b>	(1.8)	573.3	(0.3)	571.2
(Credit)/charge to income statement	0.1	(149.6)	–	(149.5)
Adjustment in respect of prior years	–	11.1	–	11.1
<b>Net at 30 September 2024</b>	(1.7)	434.8	(0.3)	432.8

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities (as the deferred taxes relate to the same fiscal authority).

A UK corporation rate of 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This increased the Company's current tax charge accordingly. The deferred tax liability at 30 September 2024 has been calculated using tax rates applicable at the dates when the timing differences are expected to reverse, i.e. 25%.

The temporary differences arise because capital allowances for fleet vehicles are received at a higher rate than accounting depreciation charged under IFRSs. At the balance sheet date these differences amounted to £1.8bn (2023: £2.3bn). When measured to unwind at applicable rates as described above, this represents a deferred tax liability of £434.8m (2023: £573.3m).

As new vehicles are added to the fleet and ex-lease vehicles are sold this balance will be re-measured next year in September 2025.

## 22. Ordinary share capital

The Company has one class of ordinary shares.

	2024	2023
Issued and fully paid:		
9,680,000 Ordinary shares of £1 each (2023: 9,680,000 Ordinary shares of £1 each)	£9,680,000	£9,680,000

## 23. Cash generated from operating activities

Reconciliation of profit to net cash flow from operating activities:

	2024 £m	2023 £m
Profit before tax	(558.4)	701.1
Adjustments for:		
Depreciation and amortisation charge	27.7	46.9
Depreciation charge on operating lease assets	1,176.2	467.9
Impairment charge for assets used in operating leases	348.8	–
Finance costs	404.9	222.8
Gains on disposal of operating assets	(73.9)	(678.1)
Gains on operating lease assets written off through insurance	(42.4)	(42.9)
Losses/(gains) on disposal of corporate assets	(0.2)	11.6
(Decrease)/increase in provision for restoration works	0.8	(1.7)
Increase in provisions	1.7	0.1
<b>Operating cash flows before movements in working capital</b>	<b>1,285.2</b>	<b>727.7</b>
Purchase of assets held for use in operating leases	(8,127.7)	(5,238.4)
Proceeds from sale of assets held for use in operating leases	4,156.4	3,220.7
Charitable donations paid	0.2	250.0
(Increase)/decrease in trade and other receivables	(1,227.2)	150.2
Increase/(decrease) in deferred income and provision for customer rebates	331.9	(10.5)
(Decrease)/increase in trade and other payables and inter-company account balances	(32.2)	185.4
<b>Cash used in operating activities</b>	<b>(3,613.4)</b>	<b>(714.9)</b>



## 24. Analysis of changes in net debt

	At 1 October 2023 £m	Cash flows £m	Non-cash flows £m	At 30 September 2024 £m
Cash and bank balances	10.7	(7.4)	–	3.3
Borrowings due within one year	(106.4)	(63.0)	–	(169.4)
Provision for restoration works	(5.6)	–	(0.8)	(6.4)
Right-of-use asset lease liabilities	(15.5)	4.0	(13.7)	(25.2)
<b>Total net debt</b>	<b>(116.8)</b>	<b>(66.4)</b>	<b>(14.5)</b>	<b>(197.7)</b>

	At 1 October 2022 £m	Cash flows £m	Non-cash flows £m	At 30 September 2023 £m
Cash and bank balances	33.2	(22.5)	–	10.7
Borrowings due within one year	(60.3)	(46.1)	–	(106.4)
Provision for restoration works	(7.3)	–	1.7	(5.6)
Right-of-use asset lease liabilities	(42.6)	22.5	4.6	(15.5)
<b>Total net debt</b>	<b>(77.0)</b>	<b>(46.1)</b>	<b>6.3</b>	<b>(116.8)</b>

	2024 £m	2023 £m
Cash and bank balances	3.3	10.7
Current financial liabilities	(172.7)	(109.9)
Non-current financial liabilities	(28.3)	(17.6)
<b>Total net debt</b>	<b>(197.7)</b>	<b>(116.8)</b>

## 25. Lease commitments as lessee

The Company's office buildings are held on leases with maturity dates of around two years (Bristol), 9 years (London) and 12 years (Edinburgh). The Group is not exposed as a lessee to any future cash outflows which are not reflected in the measurement of lease liabilities.

Information about the accounting valuations relating to these leases is contained within note 12 (Property, plant and equipment) for the right-of-use assets and note 20 (Financial liabilities) for the lease liabilities.

During the year there has been no expenditure on short-term or low value leases as defined by IFRS 16, and no income from sub-leasing any right-of-use assets.

There have been no gains or losses from sale and leaseback transactions, and at the balance sheet date there are no commitments for short-term leases.

### Maturity analysis – contractual undiscounted cash flows

	2024 £m	2023 £m
No later than one year	4.0	3.5
Later than one year and no later than five years	12.5	6.3
Later than five years and no later than ten years	10.6	4.4
Later than ten years	1.5	2.3
<b>Total undiscounted cash flows</b>	<b>28.6</b>	<b>16.5</b>
Current	4.0	3.5
Non-current	24.6	13.0

The total cash outflow for leases during the year was £4.0m (2023: £4.5m).

### Amounts recognised in the income statement

	2024 £m	2023 £m
Depreciation on the right-of-use assets	3.8	18.3
Interest expense	0.8	0.2
<b>Total</b>	<b>4.6</b>	<b>18.5</b>

## 26. Retirement benefit schemes

The Company's pension plan is a non-contributory group personal pension (money purchase) scheme. The charge for the year to 30 September 2024 amounted to £11,881,568 (2023: £9,603,205). Net contributions due at the balance sheet date were £131,848 (2023: £nil).

## 27. Related parties

Related parties comprise the Directors (and their close family and service companies), the Motability Foundation Charity, MO Group and the subsidiaries of MO Group (namely MO Reinsurance Limited (MORL) – company number 127747C) and the shareholder banks of MO Group. Transactions entered into with related parties are in the normal course of business.

The relationship of the Group to the Motability Foundation Charity is set out in the Business overview of the Group's annual report on page 12 which is not part of this report and relationship of the Company to Motability Foundation is set out in the Directors' Report.

### Transactions

The loan balance owed to MO Group plc is shown in note 16 to these financial statements.

At the year-end there were no provisions for doubtful debts (2023: £nil) due from related parties and no amounts were written off (2023: £nil) in the year under review in respect of debts due to or from related parties.

The Company donated £nil (2023: £250.0m) to Motability Foundation's charitable funds during the year.

The Company has bank overdrafts provided by the MO Group's Shareholder Banks on commercial terms as detailed in note 20 (see note 9 for details of financing costs); £0.3m (2023: £0.4m) of bank charges were also paid during the year. Additionally, total fees of £0.8m (2023: £0.8m) were due to the Shareholder Banks in proportion to their shareholdings for management and advisory services.

At 30 September 2024 £2.6m of cash and cash equivalents were held with shareholder banks (30 September 2023: £10.5m). During the year the Company received interest payments on these cash deposits totalling £0.3m (2023: £0.1m).

### Remuneration of key management personnel

The remuneration of the key management personnel (who are the Directors of the Company plus members of the Executive Committee) is set out below in aggregate for each of the categories specified in IAS 24, 'Related Party Disclosures'.

	2024 £m	2023 £m
Short-term employee benefits	5.8	5.3
Post-employment benefits	0.3	0.2
Other long-term benefits	1.0	0.8
	7.1	6.3

## 28. Directors' remuneration

During the year there were two Directors (2023: two) accruing benefits under a money purchase pension scheme.

	2024	2023
<b>Highest paid Director</b>		
Salary	£460,076	£352,055
Performance-related payments	£197,888	£149,623
Vesting of deferred bonuses	-	£154,311
Payments in lieu of pension*	£69,011	£88,014
Retention payments	-	-
Benefits	£20,699	£21,153
Aggregate emoluments in respect of qualifying services	£747,674	£765,156
Pension contributions under money purchase pension scheme	£nil	£nil

### All Directors

Salary	£1,208,362	£1,536,818
Performance related payments	£443,174	£602,238
Vesting of deferred bonuses	£624,309	£828,574
Payments in lieu of pension*	£208,681	£292,050
Payments for loss of office	£868,558	£452,092
Benefits	£62,743	£86,801
Aggregate emoluments in respect of qualifying services	£3,415,827	£3,798,573
Pension contributions under money purchase pension scheme	£10,000	£7,000

\* Payments in lieu of pension amounts relate to emoluments where the Remuneration Committee has agreed that Directors can opt to take taxable income instead of pension contribution entitlements under money purchase schemes.

## 29. Commitments

### Debt issued by Motability Operations Group plc under the £12 billion Euro Medium Term Note Programme

Motability Operations Group plc has a £12bn Euro Medium Term Note Programme with minimum denominations of EUR 100,000. The bonds were admitted to trading on the London Stock Exchange's regulated market and have been admitted to the Official List. The £12bn Euro Medium Term Note Programme is unconditionally and irrevocably guaranteed on a joint and several basis by Motability Operations Limited, a wholly-owned subsidiary of Motability Operations Group plc. The payments of all amounts due in respect of notes will be unconditionally and irrevocably guaranteed on a joint and several bases by Motability Operations Limited. As at 30 September 2024, the total debt issued under the £12bn Euro Medium Term Note Programme of Motability Operations Group plc amounts to £10.4bn (2023: £6.4bn).

### Cross-guarantee on Working Capital Facilities of MO Group

At 30 September 2024, Motability Operations Group plc had an undrawn committed working capital facility of £100m (2023: £100m) which is cross-guaranteed between Group companies Motability Operations Limited and Motability Operations Group plc.

## 30. Funding and financial risk management

### Capital risk management

From the perspective of the Company, the capital risk management is integrated with the capital risk management of the Group and is not managed separately. Further discussion of the capital risk management in the context of the Group as a whole, is provided in note 36 of the Group's annual report which does not form part of this report.

### Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 2.

### Categories of financial instruments

	2024 carrying value £m	2023 carrying value £m
<b>Non-derivative financial assets</b>		
Trade receivables (*)	256.0	146.1
Cash and bank balances	3.3	10.7
<b>Total non-derivative financial assets</b>	<b>259.3</b>	<b>156.8</b>
<b>Non-derivative financial liabilities</b>		
Trade and other payables	(334.5)	(366.4)
Financial liabilities	(201.0)	(127.5)
Loans from Group companies	(11,008.5)	(7,008.9)
<b>Total non-derivative financial instruments</b>	<b>(11,544.0)</b>	<b>(7,502.8)</b>
<b>Net non-derivative financial instruments</b>	<b>(11,284.7)</b>	<b>(7,346.0)</b>

(\*) Assets which are not financial instruments such as VAT recoverable and prepaid expenses are excluded from this table.

### Fair value of financial instruments

		2024 carrying value £m	2024 fair value £m
Cash and bank balances	III	3.3	3.3
Trade receivables	II	256.0	256.0
Trade and other payables	II	(334.5)	(334.5)
Bank overdrafts	IV	–	–
Cash in the course of transmission	II	(169.4)	(169.4)
Provision for restoration works	II	(6.4)	(6.4)
Loans from Group companies	IV	(11,008.5)	(11,008.5)
<b>Total financial instruments requiring fair value disclosure</b>		<b>(11,259.5)</b>	<b>(11,259.5)</b>
Right-of-use asset lease liabilities	V	(25.2)	n/a
<b>Net non-derivative financial instruments</b>		<b>(11,284.7)</b>	<b>(11,259.5)</b>

		2023 carrying value £m	2023 fair value £m
Cash and bank balances	III	10.7	10.7
Trade and other receivables	II	146.1	146.1
Trade and other payables	II	(366.4)	(366.4)
Bank overdrafts	IV	–	–
Cash in the course of transmission	II	(106.4)	(106.4)
Provision for restoration works	II	(5.6)	(5.6)
Loans from Group companies	IV	(7,008.9)	(7,008.9)
<b>Total financial instruments requiring fair value disclosure</b>		<b>(7330.5)</b>	<b>(7,330.5)</b>
Right-of-use asset lease liabilities	V	(15.5)	n/a
<b>Net non-derivative financial instruments</b>		<b>(7,346.0)</b>	<b>(7,330.5)</b>
I Overnights bearing interest at floating rate II Non-interest bearing III Interest bearing portion of the cash and cash equivalents consists of overnight deposits IV Bearing interest at floating rate based on actual funding costs of MO Group V Exempt from fair value disclosure under IFRS 7 paragraph 29(d)			

The fair values of financial assets and liabilities are determined as follows:

The carrying value less impairment provision of trade receivables and the carrying value of payables are assumed to approximate to their fair values due to the short-term nature of the trade receivables and payables.

The carrying value of the bank overdrafts are assumed to approximate to their fair values due to the short-term nature of the overdrafts and carrying floating interest rate.

### Financial risk management objectives

As with the capital risk management, the overall funding and financial risk management is integrated with the funding and financial risk management of the Group and is not managed separately. Further discussion of the detailed funding and financial risk management in the context of the Group as a whole, is provided in note 36 of the Group's annual report which does not form part of this report.

The Company's operations expose it to a variety of financial risks that include interest rate risk, credit risk and liquidity risk.

### Interest rate risk

Since the financial assets and liabilities of the Company, except bank overdrafts, are not interest bearing; the Company is not materially exposed to interest rate risk. A one percent increase/(decrease) in interest applied to bank overdrafts which carry interest at floating rates and by assuming that the amount of overdrafts outstanding at the balance sheet date was outstanding for the whole year, would have resulted in a pre-tax profit (and equity) decrease/(increase) of approximately £nil (2023: £nil).

### Credit risk

Credit risk of the Company may arise from cash and cash equivalents and deposits with banks and financial institutions. The Company's credit exposure to customers is considered very low, due to the fact that its principal source of income is the Department for Work and Pensions through the assigned allowances receivable by its customers.

For banks and financial institutions, only independently rated parties with a minimum A rating are accepted. All new proposed counterparties are subject to internal credit approval and the Group's Asset and Liability Management Committee ratification prior to entering into any transaction. Credit limits are set for each bank by the treasury function and are subject to approval by the Group's Asset and Liability Management Committee.

No credit limits were exceeded during the reporting year and management does not expect any losses from non-performance by these counterparties.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk. Note 16 provides more credit risk information relating to receivables.

### Liquidity risk

The Company's funding facilities are from its working capital facility (see note 20) and from its parent Company (MO Group plc) and the process for ensuring sufficient liquidity for the forthcoming financial year is managed through the review of the annual operating results. There is no set repayment date for the loan from Group. The Company can also elect to defer payment of interest on this loan until the repayment date.

The following table details the contractual maturity of the Company's non-derivative financial liabilities. The table has been drawn up based on the undiscounted amounts of the Company's financial liabilities (excluding statutory liabilities) based on the earliest dates on which the Company can be required to discharge those liabilities. The table includes liabilities for both principal and interest.

	2024 Weighted average interest rate %	2024 Under 1 year £m	2024 Between 1-3 years £m	2024 Between 3-5 years £m	2024 Over 5 years £m	2024 Total £m
Loans from Group	2.4%	518.4	1,054.0	1,087.4	12,082.0	14,741.8
Financial liabilities – cash in the course of transmission and restoration provisions		169.4	2.8	2.6	1.0	175.8
Trade and other payables – non-interest bearing		334.5	–	–	–	334.5
		1,022.3	1,056.8	1,090.0	12,083.0	15,252.1

The contractual maturity analysis for the right-of-use lease liabilities is disclosed in note 25.

	2023 Weighted average interest rate %	2023 Under 1 year £m	2023 Between 1-3 years £m	2023 Between 3-5 years £m	2023 Over 5 years £m	2023 Total £m
Loans from Group companies	3.8	276.7	594.8	634.5	7,677.4	9,183.4
Financial liabilities – cash in the course of transmission and restoration provisions		106.4	–	2.6	3.0	112.0
Trade and other payables – non-interest bearing		366.4	–	–	–	366.4
		749.5	594.8	637.1	7,680.4	9,661.8

### 31. Loans from Group companies

	2024 £m	2023 £m
Non-current loan from MO Group plc	11,008.5	7,008.9
The loan from Group is repayable as follows:		
On demand or due within 1 year	–	–
Due within 2 years	–	–
Due within 2 to 5 years	–	–
Due in more than 5 years	11,008.5	7,008.9
	11,008.5	7,008.9

The loan from Motability Operations Group plc is denominated in sterling and bears interest at actual market-based interest rates paid by Motability Operations Group plc on its own borrowings plus a set margin.

The weighted average interest rate on the loan from Group as at 30 September 2023 and 30 September 2022 was as follows:

	2024	2023
Non-current loan from MO Group plc	2.4%	3.8%

The carrying amount and fair value of the loan from MO Group plc as at 30 September 2023 and 30 September 2022 was as follows:

	2024 carrying amount £m	2024 fair value £m
Non-current loan from MO Group plc	11,008.5	11,008.5
	2023 carrying amount £m	2023 fair value £m
Non-current loan from MO Group plc	7,008.9	7,008.9

As at 30 September 2024 and 30 September 2023, the fair value of the loan from Motability Operations Group plc for disclosure purposes, approximates to the carrying value as it bears interest at a commercial floating rate.

## 32. Ultimate parent undertaking and events after the reporting year

There have been no events arising after the reporting date that require recognition or disclosure in the financial statements for the year ended 30 September 2024.

The immediate and ultimate parent undertaking and the controlling party is Motability Operations Group plc, which is a limited company incorporated and domiciled in the United Kingdom, whose shares are privately owned. Copies of Motability Operations Group plc's consolidated financial statements can be obtained from the Company Secretary at 22 Bishopsgate, London EC2N 4BQ.