

Motability Operations Limited

Annual Report and Financial Statements

Year ended 30 September 2023
Company registration no. 01373876

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Officers and auditors

Directors

Andrew Miller	(Chief Executive)
Ian Goswell	
Matthew Hamilton-James	
Jo Pentland	(resigned 31 December 2022)
Ashley Sylvester	

Secretary

Julie McManus

Registered office

City Gate House
22 Southwark Bridge Road
London SE1 9HB
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 is a wholly owned subsidiary of Motability Operations Group plc ("MO Group"), 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 2 to 57) of MO Group, which is not part of this report.

The Group is contracted to operate the Motability Car Scheme and the Powered Wheelchair and Scooter Scheme ("PWSS") by Motability Foundation ("the Charity"), and the Company is the principal operating company delivering these Schemes. The Company also operates a small "Family Fund Car Scheme" for families where 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 2023, the Company wrote 259,523 (2022: 160,543) new Car Scheme contract hire agreements and 11,678 (2022: 11,021) PWSS contract hire agreements. At 30 September 2023, there were 688,599 (2022: 632,638) Car Scheme contract hire agreements in force, 584 (2022: 334) Family Fund Car Scheme contract hire agreements in force and 21,851 (2022: 19,582) PWSS contract hire agreements in force.

The Company's closing restricted reserves are £4,002.0m (2022: £3,433.8m). 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 40-50 of the Group's annual report which does not form part of this report.

Business environment

Motability Operations Limited is, by design, a financially and operationally robust business. This was demonstrated through the challenges of the Covid-19 pandemic and the continuing global supply disruptions which have followed, with the Company focused on supporting our customers and employees without making use of any Government support schemes. We have kept customers mobile throughout, with flexible lease extensions available to ensure customers can stay in their current vehicles as continuing new-vehicle supply lead times have resulted in the delay in the fulfilment of customer orders.

Capital reserves ensure that we protect customers from risk and adverse market volatility. In the event of positive market movements, this can result in unexpected financial upside. The unprecedented upside in used car values has continued through this reporting year. The ongoing new-vehicle supply shortages (a result of the semi-conductor processing chip shortages and other supply chain difficulties including those resulting from the war in Ukraine), have driven up the demand for used vehicles. Average sales values for ex-lease vehicles have increased 52% on values achieved in 2019. These dynamics have resulted in high profits on the resale of vehicles at the end of lease. This has 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. As described in last year's report, supply-side constraints and model range rationalisation by manufacturers have an impact on the choices available to our customers. During 2023, with a steadily improving backdrop of new vehicle supply, and given our investments to support affordability, it is pleasing to report an improving picture across our price list. 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

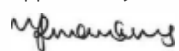
The Directors do not envisage any changes in the Company's principal activities in the foreseeable future.

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 on pages 137-147 of the Group's annual report which does not form part of this report.

Approved by the Board on 13 December 2023 and signed on its behalf by:



Julie McManus

Company Secretary

Directors' report

Directors' report for the year ended 30 September 2023

The Directors present their report and the audited financial statements of the Company for the year ended 30 September 2023.

Principal activities

The Company ('MOL') 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 profit for the year is £568.2m (2022: £892.9m).

No dividend was paid or proposed in the current year (2022: £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

At Motability Operations we believe in accessibility in the broadest sense, recognising that everyone has differences in capabilities, needs and aspirations. Within our business, this means providing the same job opportunities for every employee. It means sustaining a culture where people are free to flourish, and their contribution is rewarded equally regardless of race, national or ethnic origin, disability or gender.

For a full discussion of the Group's approach to employee engagement, see the section "Our People" on pages 24-27 of the Group's annual report.

Other information

For full notes of Group's approach to customer complaints, social and environmental matters, human rights, energy efficiency and employee and supplier engagement please refer to pages 51-56 of the Group's annual report.

Directors' 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 & operation of facilities (Scope 1) / tCO₂e **245.06** (2022: 335.10)
- Emissions from purchase of electricity, heat, steam and cooling purchased for own use (Scope 2, location-based) / tCO₂e **786.49** (2022: 718.58)
- Total gross Scope 1 & Scope 2 emissions / tCO₂e **1,031.56** (2021: 1,053.68)
- Energy consumption used to calculate above emissions: kWh **5,135,785** (2022: 5,235,305)
- Intensity ratio **0.044**(2022: 0.045)

Methodology: Total Gross CO₂e / Square meter of floor space

Page 84 of the Group's annual report covers the principle 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 16.

Charitable and political donations

During the year the Company made a charitable donation of £250.0m to Motability Foundation (2022: £200.0m). The Company also made charitable donations of £25,841 (2022: £68,099) 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 (2022: £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 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, 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

Directors' report

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 40–45 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 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 2023, 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

Directors' report

& 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. Working together is critical, particularly at a time when society, including businesses, governments and consumers, faces issues as complex and challenging as the pandemic.

Approved by the Board of Directors on 13 December 2023 and signed on its behalf by:



Andrew Miller Chief Executive Officer

The Companies (Miscellaneous Reporting) Regulations 2018

For the year ended 30 September 2023, 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 60-88 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:

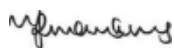
- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's 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 13 December 2023 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 2023 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 2023 and of its profit 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.
- 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.

Independent auditor's report to the members of Motability Operations Limited (continued)

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. An example of our high risk criteria is journal entries containing key words.
- 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 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

Independent auditor's report to the members of Motability Operations Limited (continued)

- 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 [6], 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.

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

Canary Wharf

London E14 5GL

13 December 2023

Income statement

For the year ended 30 September 2023

	Note	2023 £m	2022 £m
Revenue	4	5,593.5	4,753.1
Net operating costs excluding charitable donations		(4,419.6)	(3,250.7)
Charitable donations		(250.0)	(200.1)
Net operating costs	6	(4,669.6)	(3,450.8)
Profit from operations		923.9	1302.3
Finance costs	9	(222.8)	(196.9)
Profit before tax		701.1	1,105.4
Taxation	10	(132.9)	(212.5)
Profit for the year		568.2	892.9

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 2023

	2023 £m	2022 £m
Profit for the year	568.2	892.9
Other comprehensive income for the year, net of tax	—	—
Total comprehensive income for the year	568.2	892.9

The notes on pages 15 to 39 form part of these financial statements.

Balance sheet

As at 30 September 2023

	Note	2023 £m	2022 £m
Assets			
Non-current assets			
Intangible assets	11	49.9	73.9
Property, plant and equipment	12	54.8	92.2
Asset held for use in operating leases	13	11,721.4	9564.5
Trade and other receivables	16	143.5	17.3
		11,969.6	9,747.9
Current assets			
Corporation tax receivable		73.9	23.2
Inventories	14	237.9	124.0
Cash and bank balances	15	10.7	33.2
Trade and other receivables	16	471.9	748.3
		794.4	928.7
Total assets		12,764.0	10,676.6
Liabilities			
Current liabilities			
Corporation tax payable		—	—
Trade and other payables	17	(369.0)	(183.6)
Deferred rental income	18	(236.0)	(203.1)
Provision for customer rebates	19	(32.7)	(136.6)
Financial liabilities	20	(109.9)	(64.3)
		(747.6)	(587.6)
Net current assets		46.8	341.1
Non-current liabilities			
Deferred rental income	18	(382.6)	(259.1)
Provision for customer rebates	19	(24.0)	(87.0)
Financial liabilities	20	(17.6)	(45.9)
Deferred tax liabilities	21	(571.2)	(434.1)
Loans from other group companies	31	(7,008.9)	(5,819.4)
		(8,004.3)	(6,645.5)
Total liabilities		(8,751.9)	(7,233.1)
Net assets		4,012.1	3,443.5
Equity			
Ordinary share capital	22	9.7	9.7
Hedging reserve		0.4	—
Restricted reserves *		4,002.0	3,433.8
Total equity		4,012.1	3,443.5

* 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 12 to 39 were approved by the Board of Directors on 13 December 2023 and signed on behalf of the Board.

Andrew Miller 
Chief Executive

Motability Operations Limited, Registered no. 01373876

The notes on pages 15 to 39 form part of these financial statements.

Statement of changes in equity

For the year ended 30 September 2023

	Ordinary share capital £m	Hedging reserve £m	Restricted reserves £m	Total equity £m
At 1 October 2021	9.7	—	2,540.9	2,550.6
Comprehensive income				
Profit for the year	—	—	892.9	892.9
Other comprehensive income	—	—	—	—
Total comprehensive income	—	—	892.9	892.9
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 expense	—	0.4	568.2	568.6
At 30 September 2023	9.7	0.4	4,002.0	4,012.1

Statement of cash flows

For the year ended 30 September 2023

	Note	2023 £m	2022 £m
Cash flows from operating activities			
Cash (used in)/generated from operating activities	23	(714.9)	457.1
Interest paid		(222.8)	(196.6)
Income tax paid		(46.5)	(98.8)
Charitable donations		(250.0)	(200.1)
Net cash flows used in operating activities		(1,234.2)	(38.4)
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(2.3)	(34.6)
Proceeds from sale of property, plant and equipment		0.7	0.2
Net cash (used in)/generated from investing activities		(1.6)	(34.4)
Cash flows from financing activities			
Loans repaid		—	—
New loans raised		1,189.5	100.0
Payments of principal portions of lease liabilities		(22.3)	(2.2)
Net cash generated from financing activities		1,167.2	97.8
Net (decrease)/increase in cash and cash equivalents		(68.6)	25.0
Cash and cash equivalents at beginning of year		(27.1)	(52.1)
Cash and cash equivalents at end of year	15	(95.7)	(27.1)

The notes on pages 15 to 39 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 City Gate House, 22 Southwark Bridge Road, London, SE1 9HB. The nature of the Company's operations and its principal activities are set out in the Directors' report on page 5.

These financial statements are presented in pounds sterling because that 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

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. Motability Operations Ltd transitioned to UK-adopted International Accounting Standards in its Company financial statements on 1 October 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework. A summary of the more important accounting policies is set out below, together with an explanation of where changes have been made to previous policies on the adoption of new accounting policies in the year.

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 2023 and 2022.

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 16 (Amendments)	Property, Plant and Equipment: Proceeds before Intended Use
IAS 37 (Amendments)	Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract

Annual Improvements to
IFRS Standards 2018-2020

IFRS 3 (Amendments)	Reference to Conceptual Framework
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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 17	Insurance Contracts
IAS 1 (Amendments)	Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current
IAS 8 (Amendments)	Accounting Policies, Changes in Accounting Estimates and Errors: Definition
IAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities Arising from a Single Transaction
IAS 1 and IFRS Practice Statement 2 (Amendments)	Making Materiality Judgements

IFRS 17 Insurance Contracts

IFRS 17 was issued on 18 May 2017 and following a couple of amendments currently has an implementation date of accounting periods commencing on or after 1 January 2023, so that for the Group the first accounting period in which adoption is required is that for the year ending 30 September 2024 (with comparative figures for the previous accounting period also affected). The Group is assessing the impact of the changes for the reporting of the fleet reinsurance segment and has no plans to apply the requirements of the standard earlier than the required date. There is not expected to be any impact on the Company.

Aside from IFRS 17 (which is still being assessed), 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.

Notes to the financial statements

2. Significant accounting policies (continued)

Other standards, amendments and interpretations not described above are not significant in scope regarding the Group.

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 1 to 57. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Chief Finance Officer's review on pages 14 to 18. 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 £4,002.0m at 30 September 2023, 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.

During the year ended 30 September 2023, there has been an easing of new-vehicle supply shortages resulting in a record number of brand new customers (111k) joining the scheme and lease extensions fell from 136k to 129k. However, the availability of vehicles is still below pre-pandemic levels; underpinning the continued strength in used-car values, in line with management expectations. In a period of challenging economic conditions, seeing inflationary pressure on new vehicles and fleet operating costs, the Company has remained profitable.

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 2023.

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 26. 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.

2. Significant accounting policies (continued)

Assets held for use in operating leases

Notes to the financial statements

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.

2. Significant accounting policies (continued)

Notes to the financial statements

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 financial 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).

2. Significant accounting policies (continued)

Notes to the financial statements

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.

Notes to the financial statements

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 on-going 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 2023, 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 £101.9m (2022: £87.2m). 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 £23.5m (2022: £19.2m) and there is no impact on impairment charges (2022: no impact the impairment charge). A 1% rise would decrease this year's depreciation charge by approximately £20.3m (2022: £18.5m) and there would be no impact on impairment charges (2022: no impact).

4. Revenue

An analysis of the Company's revenue is provided below:

	2023 £m	2022 £m
Proceeds from disposal of operating lease assets (I)	3,092.3	2,482.4
Rentals receivable from operating lease assets (II)	1,511.1	1,392.0
Rentals receivable from operating lease in-life services	229.7	224.0
Rentals receivable from operating lease insurance	630.1	556.2
Insurance reimbursements from disposal of operating lease assets	128.4	97.0
Other income	1.9	1.5
Total revenue	5,593.5	4,753.1

(I) During the year the Company made a gain of £678.1m on the disposal of operating lease assets (2022: £723.4m).

(II) Rentals receivable from operating lease assets are presented net of £78.9m charged due to the "New Vehicle Payment" programme of lease incentives (2022: £5.0m)

5. Segmental analysis

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

Notes to the financial statements

6. Net operating costs

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

	2023 £m	2022 £m
Net book value of disposed operating lease assets	2,414.2	1,759.0
Net book value of operating lease assets derecognised as insurance write-offs	85.5	62.2
Fleet operating costs including insurance, maintenance and roadside assistance costs*	1,034.4	837.6
Charitable donation	250.0	200.1
Other operating costs	71.0	49.3
Employee costs	105.1	82.5
Other product costs including continuous mobility costs, adaptations support, communications	145.6	109.2
Legal and professional fees	46.9	49.8
Bad debt charges and movement in bad debt provisions	1.3	(0.3)
Management fees	0.8	0.8
Net operating costs before depreciation	4,154.8	3,150.2
Depreciation on assets used in operating leases	467.9	267.2
Depreciation and amortisation on property, plant and equipment and intangible assets	46.9	33.4
Net operating costs	4,669.6	3,450.8

* 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 £509.5m release (2022: £577.4m release) relating to the change in estimate during the year of future residual values (see note 13).

7. Auditor's remuneration

	2023 £m	2022 £m
Audit fees		
Auditor's remuneration: Company	0.1	0.1
Total audit fees	0.1	0.1

	2023 £m	2022 £m
Other fees payable to auditor		
Auditor's remuneration: Audit fees paid on behalf of Parent Company and its other subsidiaries	0.5	0.4
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	—	—
Total other fees payable to auditor	0.7	0.5

8. Employee costs

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

	2023	2022
Administrative staff	1,395	1,175

	2023 £m	2022 £m
The breakdown of staff costs is as follows:		
Wages and salaries	85.9	66.7
Social security costs	9.6	7.8
Other pensions costs	9.6	8.0
Total employee costs	105.1	82.5

Notes to the financial statements

9. Finance costs

	2023 £m	2022 £m
Interest and bank charges	0.8	1.5
Interest on loan from MO Group plc	222.0	195.4
Total finance costs	222.8	196.9

10. Taxation

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

	2023 £m	2022 £m
Current tax		
Charge for the year	–	86.6
Adjustments recognised in the current year in relation to the current tax of prior years	(4.1)	–
Total	(4.1)	86.6
Deferred tax		
Origination and reversal of temporary differences	89.7	59.4
Adjustments in respect of prior years	4.1	–
Impact of change in UK tax rate	43.2	66.5
Total	137.0	125.9
Total tax charge on profit	132.9	212.5

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

	2023 £m	2022 £m
Profit before taxation	701.1	1,105.4
Tax calculated at appropriate tax rates applicable to surplus (2023: 22%, 2022: 19%)	154.2	209.9
Non-taxable capital gains	(67.9)	(64.4)
Expenses not deductible for tax purposes	3.4	0.5
Adjustments recognised in the current year in relation to the current tax of prior years	4.1	–
Adjustment for prior year deferred tax	(4.1)	–
Re-measurement of deferred tax due to change in the UK corporation tax rate	43.2	66.5
Total tax charge on profit	132.9	212.5

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, profits are taxable at 22% for this accounting year (2022: 19%) but deferred tax has been 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 12.8% (2022: 13.2%). 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.

The Group's effective tax rate for next year is expected to be 25.2%.

Tax paid

Under HMRC's quarterly instalments regime for corporation tax all four instalments become payable during the year (in December, March, June and September). During 2023, the Company paid £46.6m and had a current tax credit of £4.1m (2022: £98.8m towards a tax charge of £86.6m). The cumulative effect is a debtor balance of £73.9m, which includes £23.2m relating to the prior year (2022: a debtor balance of £23.2m), shown as corporation tax receivable at the year end.

Notes to the financial statements

11. Intangible assets

Cost	£m
At 1 October 2021	154.9
Additions	3.7
At 1 October 2022	158.6
Additions	—
At 30 September 2023	158.6
Accumulated amortisation	
At 1 October 2021	60.8
Charge for the year	23.9
At 1 October 2022	84.7
Charge for the year	24.0
At 30 September 2023	108.7
Carrying amount	
At 1 October 2021	94.1
Additions	3.7
Amortisation	(23.9)
At 1 October 2022	73.9
Additions	—
Amortisation	(24.0)
At 30 September 2023	49.9

The intangible assets relate to IT system projects.

At 30 September 2023, the Company had entered into contractual commitments in respect of capital expenditure in intangible assets amounting to £nil (2022: £nil).

Notes to the financial statements

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 2021	2.8	42.6	48.2	—	7.3	100.9
Reclassifications	—	(1.1)	—	—	1.1	—
Additions	0.2	—	3.1	30.2	0.5	34.0
Disposals	(0.3)	—	—	—	—	(0.3)
At 1 October 2022	2.7	41.5	51.3	30.2	8.9	134.6
Reclassifications	—	—	—	—	—	—
Additions	1.4	0.1	—	0.2	0.6	2.3
Disposals	(1.2)	(1.9)	(4.7)	(10.0)	—	(17.8)
At 30 September 2023	2.9	39.7	46.6	20.4	9.5	119.1
Accumulated depreciation						
At 1 October 2021	1.1	15.4	9.8	—	6.8	33.1
Charge for the year	0.6	2.8	5.0	—	1.1	9.5
Eliminated on disposals	(0.2)	—	—	—	—	(0.2)
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 30 September 2023	1.2	21.2	33.1	—	8.8	64.3
Carrying amount						
At 1 October 2021	1.7	27.2	38.4	—	0.5	67.8
Reclassifications	—	(1.1)	—	—	1.1	—
Additions	0.2	—	3.1	30.2	0.5	34.0
Disposals	(0.1)	—	—	—	—	(0.1)
Depreciation	(0.6)	(2.8)	(5.0)	—	(1.1)	(9.5)
At 1 October 2022	1.2	23.3	36.5	30.2	1.0	92.2
Reclassifications	—	—	—	—	—	—
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 30 September 2023	1.7	18.5	13.5	20.4	0.7	54.8

At 30 September 2023, the Company had entered into contractual commitments in respect of capital expenditure on property, plant and equipment amounting to £nil (2022: £12.5m). These amounts relate to the development of newly acquired land and buildings.

Notes to the financial statements

13. Assets held for use in operating leases

Cost	Motor vehicle assets £m
At 1 October 2021	10,145.4
Additions	2,876.4
Transfer to inventories (note 14)	(2,375.7)
At 1 October 2022	10,646.1
Additions	5,238.4
Transfer to inventories (note 14)	(3,236.1)
At 30 September 2023	12,648.4

Accumulated depreciation

At 1 October 2021	1,354.7
Charge for the year	267.2
Eliminated on transfer to inventory (note 14)	(540.3)
At 1 October 2022	1,081.6
Charge for the year	467.9
Eliminated on transfer to inventory (note 14)	(622.5)
At 30 September 2023	927.0

Carrying amount

At 1 October 2021	8,790.7
Additions	2,876.4
Depreciation	(267.2)
Transfer to inventory (note 14)	(1,835.4)
At 1 October 2022	9,564.5
Additions	5,238.4
Depreciation	(467.9)
Transfer to inventory (note 14)	(2,613.6)
At 30 September 2023	11,721.4

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.

In addition, 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

	2023 £m	2022 £m
Within 1 year	3,532.7	3,342.2
Between 1 – 2 years	2,778.1	3,040.0
Between 2 – 5 years	3,879.7	2,338.2
Total exposure	10,190.5	8,720.4

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.

Notes to the financial statements

13. Assets held for use in operating leases (continued)

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

	2023 £m	2022 £m
Amounts released in prior years	697.5	417.1
Amounts released in current year*	509.5	577.4
Total adjustments to depreciation carried at 30 September**	1,207.0	994.5
Amounts to be released in future years	438.0	634.0
Total increase in estimated residual value	1,645.0	1,628.5

* The amounts released 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 2023 of £1,207.0m (2022: £994.5m) is included within the accumulated depreciation balance of £927.0m (2022: £1,081.6m) on assets held for use in operating leases

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:

	2023 £m	2022 £m
No later than one year	1,381.5	980.4
Later than one year and no later than two years	778.2	523.8
Later than two years and no later than three years	267.2	186.6
Later than three years and no later than four years	10.8	11.5
Later than four years and no later than five years	3.5	2.7
Total	2,441.2	1,705.0

Notes to the financial statements

14. Inventories

	2023 £m	2022 £m
Ex-operating lease assets held for sale	237.9	124.0
Provisions	—	—
Ex-operating lease assets held for sale (net)	237.9	124.0

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 (2022: £nil). During the year there was no change to the provision and no write off (2022: 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 £2,499.7m (2022: £1,821.2m).

The movement of these inventories in 2023 and 2022 are as follows:

	£m
At 1 October 2021	109.8
Transfer from operating lease assets (note 13)	1,835.4
Disposals	(1,821.2)
At 1 October 2022	124.0
Transfer from operating lease assets (note 13)	2,613.6
Disposals	(2,499.7)
At 30 September 2023	237.9

15. Cash and cash equivalents

	2023 £m	2022 £m
Cleared balances	10.5	33.1
Cash in the course of collection	0.2	0.1
Cash and bank balances	10.7	33.2

	2023 £m	2022 £m
Cleared overdrafts	(0.3)	—
Cash in the course of transmission	(106.1)	(60.3)
Bank overdrafts and cash in the course of transmission	(106.4)	(60.3)

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:

	2023 £m	2022 £m
Cash and bank balances	10.7	33.2
Bank overdrafts and cash in the course of transmission (see note 20)	(106.4)	(60.3)
Cash and cash equivalents	(95.7)	(27.1)

Notes to the financial statements

16. Trade and other receivables

	2023 £m	2022 £m
Trade receivables	146.1	69.3
Other receivables	156.2	84.0
Amounts due from MO Group plc	—	494.4
Prepayments and accrued income	313.1	117.9
Total	615.4	765.6

Trade receivables include an allowance for estimated irrecoverable amounts of £2.2m (2022: £2.1m). This allowance has been made by reference to past default experience and the ECL rules of IFRS 9. During the year there was a £0.1m increase to the provisions and £nil receivables written off (2022: £nil decrease in provision and £nil written off). The average receivable days' period is nine days (2022: five 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 £6.7m (2022: £3.5m) 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 19 days (2022: nine days).

Ageing of past due but not impaired receivables:

	2023 £m	2022 £m
Past due by 1-30 days	4.3	3.2
Past due by 31-60 days	1.8	0.3
Past due by 61-90 days	0.6	—
Past due by 91-120 days	—	—
Past due by more than 120 days	—	—
Total	6.7	3.5

Notes to the financial statements

17. Trade and other payables

	2023 £m	2022 £m
Trade payables	141.5	54.3
Social security and other taxes	2.6	2.1
Accruals	142.6	120.7
Other payables	–	0.9
Amounts payable to MO Group plc	77.4	–
Advance rental payments received from agencies	4.9	5.6
Total	369.0	183.6

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 (2022: 30 days).

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

18. Deferred rental income

	2023 £m	2022 £m
Customers' advance payments *	237.0	178.4
Vehicle in-life service income	2.0	18.6
Vehicle insurance income	(3.0)	6.1
Total current	236.0	203.1
Customers' advance payments *	275.9	178.7
Vehicle in-life service income	79.8	58.0
Vehicle insurance income	26.9	22.4
Total non-current	382.6	259.1
Total	618.6	462.2

* 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 2021	81.5	16.6	98.1
Revenue recognised that was included in the deferred income balance at the beginning of the period	(37.2)	(5.8)	(43.0)
Increases due to cash received, excluding amounts recognised as revenue during the period	32.3	17.7	50.0
At 30 September 2022	76.6	28.5	105.1
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

Notes to the financial statements

18. Deferred rental income (continued)

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:

	2023 £m	2022 £m
No later than one year	180.6	152.4
Later than one year and no later than two years	131.0	90.4
Later than two years and no later than three years	59.5	34.8
Later than three years and no later than four years	5.7	5.2
Later than four years and no later than five years	2.1	1.6
Total	378.9	284.4

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:

	2023 £m	2022 £m
No later than one year	484.2	389.0
Later than one year and no later than two years	350.6	232.3
Later than two years and no later than three years	150.8	83.4
Later than three years and no later than four years	6.3	5.6
Later than four years and no later than five years	2.4	1.7
Total	994.3	712.0

19. Provision for customer rebates

	Rental refund liability £m	Good condition payments £m	Return to dealer payments £m	WAV support £m	Total £m
At 1 October 2021	38.6	187.0	2.0	5.8	233.4
Additional provisions accrued during the year	–	101.2	2.3	2.7	106.2
Utilised during the year	(38.6)	(72.4)	(2.4)	(2.6)	(116.0)
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 30 September 2023	–	56.1	0.6	–	56.7

Analysis of provisions

	2023 £m	2022 £m
Included in non-current liabilities	24.0	87.0
Included in current liabilities	32.7	136.6
Total	56.7	223.6

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.

Notes to the financial statements

20. Financial liabilities

	2023 £m	2022 £m
Current		
Bank overdrafts and cash in the course of transmission	106.4	60.3
Right-of-use asset lease liabilities	3.5	4.0
Total current	109.9	64.3
Non-current		
Provision for restoration works*	5.6	7.3
Right-of-use asset lease liabilities	12.0	38.6
Total non-current	17.6	45.9
Total	127.5	110.2

The financial liabilities are repayable as follows:	2023 £m	2022 £m
On demand or due within one year	109.8	64.3
Due within two years	2.2	4.0
Due within two to five years	6.1	10.5
Due in more than five years	9.3	31.4
Total	127.4	110.2

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 2023 and 30 September 2022, the Company had the following undrawn committed borrowing facilities:

	2023 £m	2022 £m
Working capital facility	–	10.0
Total	–	10.0

As at 30 September 2023 and 2022, 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
Net at 1 October 2021	(2.5)	311.1	(0.3)	308.3
(Credit)/charge to income statement	–	59.4	–	59.4
Adjustment in respect of prior years	–	–	–	–
Impact of change in UK tax rate	(0.6)	67.1	–	66.5
Net at 1 October 2022	(3.1)	437.6	(0.3)	434.2
(Credit)/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
Net at 30 September 2023	(1.8)	573.3	(0.3)	571.2

Notes to the financial statements

21. Deferred tax (continued)

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 2023 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 £2.3bn (2022: £1.9bn). When measured to unwind at applicable rates as described above, this represents a deferred tax liability of £573.3m (2022: £437.6m).

As new vehicles are added to the fleet and ex-lease vehicles are sold this balance will be re-measured next year in September 2024.

22. Ordinary share capital

The Company has one class of ordinary shares.

	2023	2022
Issued and fully paid:		
9,680,000 Ordinary shares of £1 each (2022: 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:

	2023 £m	2022 £m
Profit before tax	701.1	1,105.4
Adjustments for:		
Depreciation and amortisation charge	46.9	33.4
Depreciation charge on operating lease assets	467.9	267.2
Inventory write-down	—	—
Finance costs	222.8	196.9
Gains on disposal of operating assets	(678.1)	(723.4)
Gains on operating lease assets written off through insurance	(42.9)	(34.8)
Losses/(gains) on disposal of corporate assets	11.6	(0.2)
(Decrease)/increase in provision for restoration works	(1.7)	0.5
Increase in provisions	0.1	—
Operating cash flows before movements in working capital	727.7	845.0
Purchase of assets held for use in operating leases	(5,238.4)	(2,876.4)
Proceeds from sale of assets held for use in operating leases	3,220.7	2,579.4
Charitable donations paid	250.0	200.1
Decrease/(increase) in trade and other receivables	150.2	(327.5)
(Decrease)/increase in deferred income and provision for customer rebates	(10.5)	8.7
Increase in trade and other payables and inter-company account balances	185.4	27.8
Cash (used in)/generated from operating activities	(714.9)	457.1

Notes to the financial statements

24. Analysis of changes in net debt

	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)
Total net debt	(77.0)	(46.1)	6.3	(116.8)

	At 1 October 2021 £m	Cash flows £m	Non-cash flows £m	At 30 September 2022 £m
Cash and bank balances	0.3	32.9	—	33.2
Borrowings due within one year	(52.4)	(7.9)	—	(60.3)
Provision for restoration works	(6.8)	—	(0.5)	(7.3)
Right-of-use asset lease liabilities	(41.5)	2.7	(3.8)	(42.6)
Total net debt	(100.4)	27.7	(4.3)	(77.0)

	2023 £m	2022 £m
Cash and bank balances	10.7	33.2
Current financial liabilities	(109.9)	(64.3)
Non-current financial liabilities	(17.6)	(45.9)
Total net debt	(116.8)	(77.0)

25. Lease commitments as lessee

The Company's office buildings are held on leases with maturity dates of around three years (Bristol) and 14 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

	2023 £m	2022 £m
No later than one year	3.5	4.5
Later than one year and no later than five years	6.3	16.2
Later than five years and no later than ten years	4.4	15.1
Later than ten years	2.3	10.3
Total undiscounted cash flows	16.5	46.1
Current	3.5	4.5
Non-current	13.0	41.6

The total cash outflow for leases during the year was £4.5m (2022: £2.7m).

Notes to the financial statements

25. Lease commitments as lessee (continued)

Amounts recognised in the income statement

	2023 £m	2022 £m
Depreciation on the right-of-use assets	18.3	5.1
Interest expense	0.2	0.7
Total	18.5	5.8

26. Retirement benefit schemes

The Motability Operations Limited pension plan is a non-contributory group personal pension (money purchase) scheme. The charge for the year to 30 September 2023 amounted to £9,603,205 (2022: £8,048,681). Net contributions due at the balance sheet date were £nil (2022: £779,358).

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 13 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 17 to these financial statements. At the year-end there were no provisions for doubtful debts (2022: £nil) due from related parties and no amounts were written off (2022: £nil) in the year under review in respect of debts due to or from related parties.

The Company donated £250.0m (2022: £200.0m) 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); £0.4m (2022: £0.3m) of bank charges were also paid during the year. Additionally, total fees of £0.8m (2022: £0.8m) were due to the Shareholder Banks in proportion to their shareholdings for management and advisory services.

At 30 September 2023 £10.5m of cash and cash equivalents were held with shareholder banks (30 September 2022: £33.1m). During the year the Company received interest payments on these cash deposits totalling £0.1m (2022: £nil).

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'.

	2023 £m	2022 £m
Short-term employee benefits	5.3	4.2
Post-employment benefits	0.2	0.1
Other long-term benefits	0.8	0.7
	6.3	5.0

Notes to the financial statements

28. Directors' remuneration

During the year there were two Directors (2022: two) accruing benefits under a money purchase pension scheme.

	2023	2022
Highest paid Director		
Salary	£352,055	£449,170
Performance-related payments	£149,623	£169,875
Vesting of deferred bonuses	£154,311	£273,508
Payments in lieu of pension*	£88,014	£112,292
Retention payments	–	–
Benefits	£21,153	£21,205
Aggregate emoluments in respect of qualifying services	£765,156	£1,026,050
Pension contributions under money purchase pension scheme	£nil	£nil
All Directors		
Salary	£1,536,818	£1,809,731
Performance related payments	£602,238	£663,136
Vesting of deferred bonuses	£828,574	£1,070,068
Payments in lieu of pension*	£292,050	£342,745
Payments for loss of office	£452,092	–
Benefits	£86,801	£96,958
Aggregate emoluments in respect of qualifying services	£3,798,573	£3,982,638
Pension contributions under money purchase pension scheme	£7,000	£8,000

* 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

a) Debt issued by Motability Operations Group plc under the £6.5 billion Euro Medium Term Note Programme

Motability Operations Group plc has a £6.5bn 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 £6.5bn 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 2023, the total debt issued under the £6.5bn Euro Medium Term Note Programme of Motability Operations Group plc amounts to £6.4bn (2022: £5.4bn).

b) Cross guarantee on Working Capital Facilities of MO Group

At 30 September 2023, Motability Operations Group plc had an undrawn committed working capital facility of £100m (2022: £100m) which is cross guaranteed between Group companies Motability Operations Limited and Motability Operations Group plc.

Notes to the financial statements

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

	2023 carrying value £m	2022 carrying value £m
Non-derivative financial assets		
Trade receivables (*)	146.1	563.7
Cash and bank balances	10.7	33.2
Total non-derivative financial assets	156.8	596.9
Non-derivative financial liabilities		
Trade and other payables	(366.4)	(181.5)
Financial liabilities	(127.5)	(110.2)
Loans from Group companies	(7,008.9)	(5,819.4)
Total non-derivative financial instruments	(7,502.8)	(6,111.1)
Net non-derivative financial instruments	(7,346.0)	(5,514.2)

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

Fair value of financial instruments

		2023 carrying value £m	2023 fair value £m
Cash and bank balances	III	10.7	10.7
Trade 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)
Total financial instruments requiring fair value disclosure		(7,330.5)	(7,330.5)
Right-of-use asset lease liabilities	V	(15.5)	n/a
Net non-derivative financial instruments		(7,346.0)	(7,330.5)

- 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)

Notes to the financial statements

30. Funding and financial risk management (continued)

Fair value of financial instruments (continued)

		2022 carrying value £m	2022 fair value £m
Cash and bank balances	III	33.2	33.2
Trade and other receivables	II	563.7	563.7
Trade and other payables	II	(181.5)	(181.5)
Bank overdrafts	IV	—	—
Cash in the course of transmission	II	(60.3)	(60.3)
Provision for restoration works	II	(7.3)	(7.3)
Loans from Group companies	IV	(5,819.4)	(5,819.4)
Total financial instruments requiring fair value disclosure		(5,471.6)	(5,471.6)
Right-of-use asset lease liabilities	V	(42.6)	n/a
Net non-derivative financial instruments		(5,514.2)	(5,471.6)
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 (2022: £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.

Notes to the financial statements

30. Funding and financial risk management (continued)

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.

	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	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

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

	2022 Weighted average interest rate %	2022 Under 1 year £m	2022 Between 1-3 years £m	2022 Between 3-5 years £m	2022 Over 5 years £m	2022 Total £m
Loans from Group companies	3.3	201.0	434.5	472.7	6,291.6	7,399.8
Financial liabilities – cash in the course of transmission and restoration provisions		60.3	–	–	7.3	67.6
Trade and other payables – non-interest bearing		181.5	–	–	–	181.5
		442.8	434.5	472.7	6,298.9	7,648.9

31. Loans from Group companies

	2023 £m	2022 £m
Non-current loan from MO Group plc	7,008.9	5,819.4
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	7,008.9	5,819.4
	7,008.9	5,819.4

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.

Notes to the financial statements

31. Loans from Group companies (continued)

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

	2023 %	2022 %
Non-current loan from MO Group plc	3.8	3.3

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:

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

	2022 carrying amount £m	2022 fair value £m
Non-current loan from MO Group plc	5,819.4	5,819.4

As at 30 September 2023 and 30 September 2022, 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 2023.

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 City Gate House, 22 Southwark Bridge Road, London SE1 9HB.