

**Motability  
Operations group plc**

# **Annual Report and Accounts 2023**





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For further disclosures, please visit our Investors' hub [↗](#)

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# Our purpose

We exist to deliver smart, sustainable solutions that improve our customers' mobility in a fast-changing world.

## What we do

Through the Motability Scheme, we lease mobility solutions to recipients of the higher rate mobility allowances.

Our customers can choose from a range of cars, scooters and Wheelchair Accessible Vehicles (WAV) to find the best solution for their needs. Insurance, roadside assistance, tyres, adaptations and more are all taken care of as part of the lease.

Any money we make from running the Motability Scheme is reinvested for our customers or to provide donations to the Motability Foundation.

## Why is mobility important?

Mobility plays a crucial role in all our lives. It unlocks our ability to get to work, visit friends, access healthcare and see new places.

Yet, for many disabled people, there are many barriers. Since our founding over 45 years ago, Motability Operations has provided more than five million customers with affordable transport solutions, empowering them to get around on their own terms.



Our strategic framework

# Our strategic framework

We are led by our purpose and guided by our beliefs, and have set out three pillars to our strategy. Running through our business is our focus on affordability and choice, how we value our people, and our commitment to impact and sustainability and financial stability. Underpinning everything we do is our great customer service.





Our values

# Our values

At Motability Operations, our values are central to how we work every single day. They enable us to stay on the right track, working together to deliver the Scheme for our customers.

## We drive change

We know the power of positive change.  
So we never stop raising the bar, or rising to challenges.

[Patricia's story](#)

## We care

We're respectful, warm and welcoming.  
It's how we support everyone – from colleagues to customers.

[Ian's story](#)

## We find solutions

We're all in it together. To make things better.  
For our customers, partners and each other.

[Tanvi's story](#)







**Rt. Hon. Sir Stephen O'Brien KBE**  
Chairman, Motability Operations

# Finding solutions for our customers

Our customers are at the heart of everything we do, and our people continue to show their dedication and find solutions. Our teams go above and beyond to make a real impact on our customers' lives, and our values reflect this.

Our customer service is unique: we show empathy, patience and understanding. We listen to our customers and take their feedback on board. And we empower our teams to find solutions, whatever our customers' personal circumstances.

Despite the ongoing turbulence of the automotive industry, we continue to see high levels of customer satisfaction and the ratings from our latest survey are at 9.6 out of 10.

Many of our customers have been disproportionately affected by the rising cost of living, creating additional pressures for them. Our people can take pride that their hard work has enabled us to support our customers with vehicle affordability and the rollout of our New Vehicle Payment.

[Read more on page 16](#)

## The changing landscape of transport

Our people are working hard to support the transition to electric, without compromise to our customers.

We already have one of the UK's largest electric fleets, with over 35,000 electric vehicles on the road, and this number is growing all the time. It's therefore incumbent on us, as we put our customers at the heart of our decision-making, to spearhead the accessibility of electric vehicles by using our scale to influence decisions.

We champion our customers' needs and promote accessibility to ensure it's right at the start of the design process. We understand their concerns and take them into account when we move forward with our strategic direction.

[Read more on page 32](#)



## Chairman's statement continued

After an extremely volatile and difficult period, during and post-Covid, regarding pricing, affordability and supply, we are working diligently to drive down costs. Last quarter's price list saw the best ever availability and pricing for EVs for our customers. We are therefore able to support our customers with the cost of an electric vehicle and we are continuing to invest £300m (as outlined in the Annual Report in 2021) to bring price parity between internal combustion engine (ICE) and electric vehicles.

### Our people

Our people are vital to the service we deliver for our customers. We want to support them and help them manage their working lives in a way that suits them best. We have listened to feedback, and are developing our working practices so we can continue with hybrid, whilst also balancing the need for collaboration amongst teams.

[Read more in Our people section on page 24](#)

I'd like to say a special thank you to Simon Minty, one of our Non-Executive Directors, who has made a valuable contribution to helping our staff with the transition to a new way of working. He has listened carefully to our employees and actively affected change for good by supporting them in adjusting to new ways of working.

Our people are passionate about what they do. There is nothing more satisfying and motivating than working towards a common purpose that delivers an improvement to people's lives.

### Motability Foundation

We work closely with the Motability Foundation to deliver the Motability Scheme. Under their oversight, we've been nimble with our business model to ensure we are prepared for a potentially unstable future.

In light of external circumstances, and our sustainable business model, we have had the opportunity to donate £250m to the Motability Foundation. This will allow the Motability Foundation to reach even more disabled people and their families, so they gain independence and freedom as a Motability Scheme customer, as well as help many other charities, organisations and disabled individuals through their wider grants, innovation and research work.

[See more on page 28](#)

### Moving forwards

I place on record the Board's and all our stakeholders' deep appreciation for the dedicated and tireless work of our CEO, Andrew Miller, his executive team and all our colleagues, for another successful year at Motability Operations. With our financial stability, leadership expertise and talented, committed and determined people, we will continue to make a difference in our customers' lives. A special mention to Neill Thomas, Chair of the Remuneration Committee, for his knowledge, skill and excellence in leading that committee as he will be stepping down from that role after completing nine years to be succeeded by Chris Davies. We are extremely grateful for Neill's continuing commitment to remain on the Board as our Senior Independent Director.

We look forward to the coming year and to continuing on our journey to electric. As we grow our customer base beyond the 700,000 mark, we have set ourselves a high bar for the future and hope to enable more people to access independent mobility through the Motability Scheme.

**Rt. Hon. Sir Stephen O'Brien KBE**  
Chairman





We drive change: customer story

# We drive change

## A flexible, affordable solution

At Motability Operations, we help customers decide between our wide range of vehicle types and adaptations, ensuring they make the best choice for their needs.

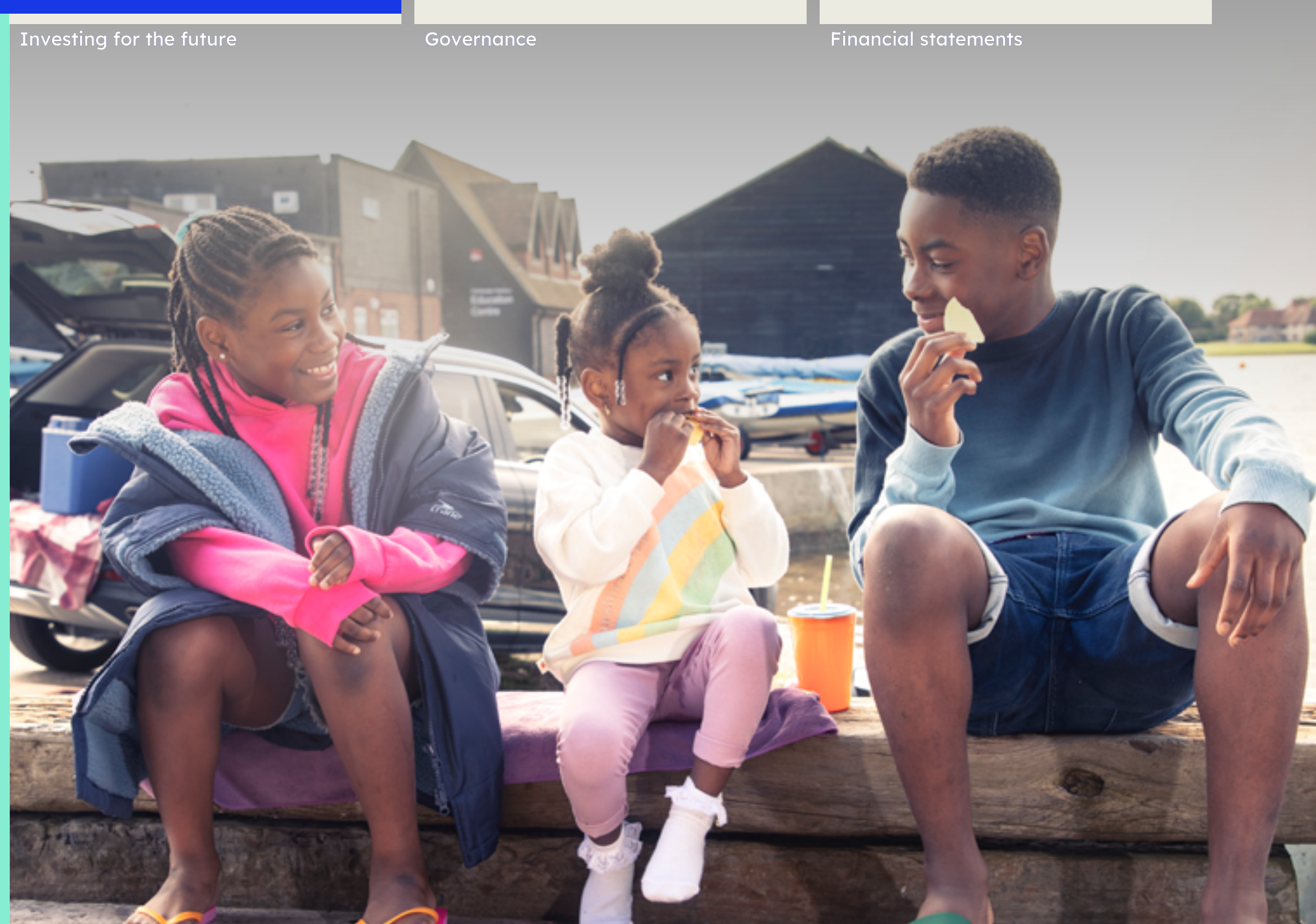
Mobility plays a crucial role in all our lives, enabling us to get to work, visit friends and see new places. Patricia has been on the Motability Scheme for just over three years, and now has a hybrid vehicle. It's very spacious at the back to accommodate her wheelchair, leaving plenty of room for the family, to enjoy days out in the country.

Without the Motability Scheme, a new car would have been unaffordable. Patricia was able to simply put down an advance payment, and rest easy knowing that everything else was covered. The Scheme also enables Patricia to have other people on the insurance as named drivers, and it's quick and easy to make changes if and when her disability means she can't drive herself.

“When I picked up my car, I was so excited to see it on my driveway! When you're ill or in pain, you just want a bit of comfort. I felt really spoilt with my new car, and couldn't wait to get out and about. I would definitely recommend the Motability Scheme. It's so easy and I think it's the most fabulous thing I've ever gone on.”



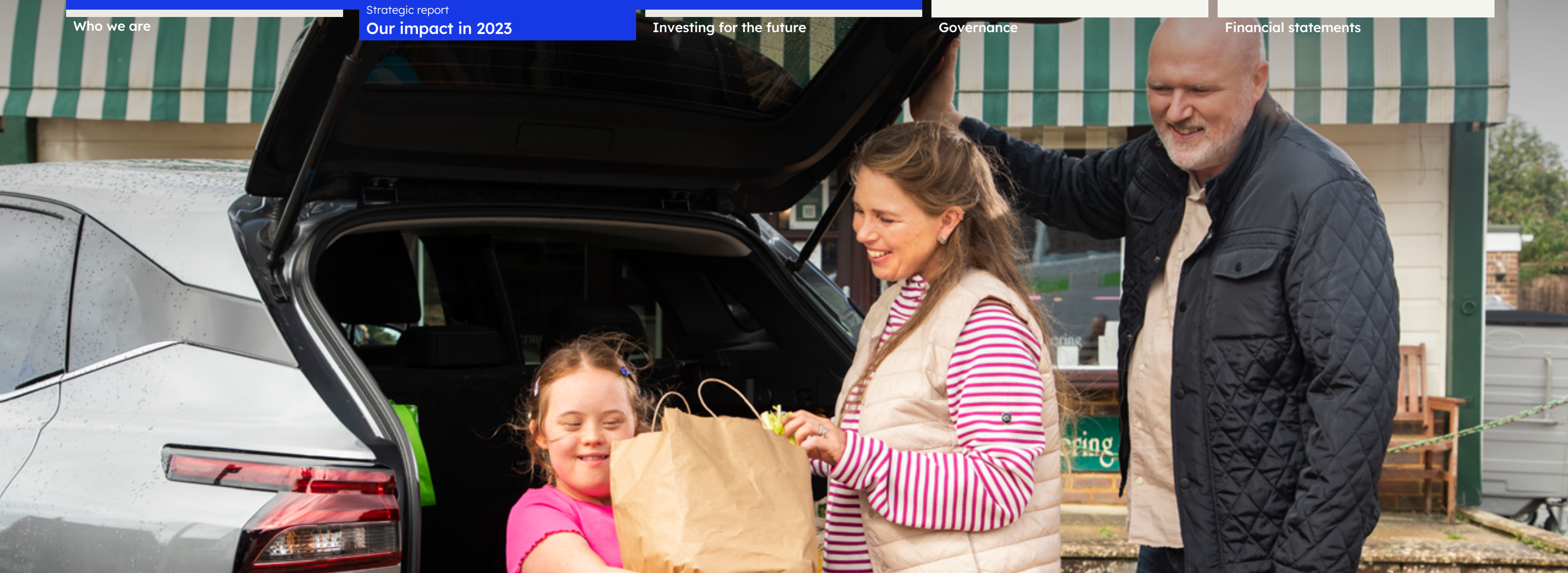
[Click here to watch the full video](#)



“I would definitely recommend the Motability Scheme. It's so easy...”

Patricia





# Our impact in 2023

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# 2023 at a glance



**£250m**  
donation to the  
Motability Foundation



**Successful  
transition**  
to our new Insurance  
Scheme Partner  
Direct Line Group



**700,000+**  
customers now  
on the Scheme



**9.6 out of 10**  
average customer  
satisfaction score







**Andrew Miller**  
Chief Executive, Motability Operations

# We drive change

In the year where we turned 45 and reached a new milestone of 700,000 customers on the Scheme, we have continued to make an impact on disabled people's lives every day.

## Our core responsibility is our customers

Our customers are at the heart of everything we do here at Motability Operations. They rely on us to provide safe, affordable and dependable mobility solutions as part of our worry-free package.

The Motability Scheme transforms lives. Without it, many of our customers would not be able to access affordable mobility solutions. That is why it's so crucial that we are here for the long term.

Our overriding objective remains sustaining the Motability Scheme. It's our responsibility to ensure we protect our business so that we can be there for our customers as the automotive industry transitions to electric.

## Sustaining the Scheme for the future

Looking back on this year, we're proud to have delivered more affordable price lists, reduced wait times and supported more customers to make the transition to electric.

In last year's Annual Report and Accounts, we set out short and long-term investments to support our customers. We are continuing to use these investments to make sure there are always suitable and affordable vehicles for all our customers, providing support with the transition to electric vehicles and funding home chargepoints. We also set out our plans to increase the New Vehicle Payment, to £750, so we can help our customers get on the road in their new vehicle. This year we have deployed £250.8m in New Vehicle Payments to 262,111 customers.

The second hand car market has remained very strong and, as the single largest reseller of cars in the UK, having sold 199,765 in the last financial year alone, this has led to us making profit above expectations, which means we can commit to even more support and investment over the coming years.

Every penny we make is reinvested; we don't pay shareholder dividends, so our profit continues to support affordability and to keep future vehicle prices as low as possible for our customers. In addition to the investments outlined last year, which we will continue to deploy as planned, we are able to extend the New Vehicle Payment to new customers for the coming year with an extra £83m commitment, directly helping customers at a time when many are struggling. We are making a further donation of £250m to the Motability Foundation, to help our customers with vehicle grants and enable research into accessible transport.

As we transition our fleet to EV, we need to support our customers with higher costs and the practicalities of making the switch. We know we will have challenges to overcome, so we are being prudent with our investments now to protect the future of the Scheme.



## CEO statement continued

## The challenges and opportunities of the transition to EV

We know there are big challenges ahead in the switch to electric vehicles, especially as fewer petrol cars will be available over the coming years. Long lead times in research and development and production mean that manufacturers are already switching and increasing their electric offering, which means the number of petrol and diesel vehicles will decrease year on year. We know that there will be a reduction in the choice of petrol and diesel cars at an affordable price for our customers, within the next three years. But we also know, from our extensive insight, that a lot of our customers are wary of switching, and that the delay of phasing out the sale of new petrol and diesel cars to 2035 is making many of them choose to wait.

Our challenge is to help our customers understand that the industry is driving towards electric right now, to understand their concerns and barriers to electric so we can help solve them. We are taking an active role to address this so that our customers are not left without affordable and accessible vehicles that suit their needs.

We're using our investment and relationships with manufacturers to help deliver greater affordability and choice, with longer-range vehicles available all the time, and we're working hard to show customers the benefits of EVs and support them in choosing the right vehicle for them.

EVs can be cheaper to run, easier to drive, more comfortable and they are better for the environment. We also want to make this transition affordable for our customers. That's why we are continuing our £300m investment, subsidising the cost and installation of home chargepoints, and developing innovative solutions and pilot schemes to overcome the barriers, particularly in the accessibility of public charging infrastructure.

We've got one of the largest EV fleets in the UK already, with over 35,000 customers making the switch and over 6,800 EVs in the pipeline, but we know there's a lot more to do.

Nowhere is the challenge of the EV transition more urgent than for our Wheelchair Accessible Vehicle (WAV) customers. WAVs are a core component of our fleet, with their own unique engineering challenges. To convert an electric vehicle into an eWAV, our suppliers must make sure the position of the battery does not interfere with the lowered floor. At the moment, there is no solution to converting a standard electric vehicle into a small or medium eWAV and we are working with the industry to solve this problem. This includes our partnership with CALLUM, where we are looking to produce a working prototype that we can present to industry.

[Read more on page 35](#)

## Our Planet, Our People, Our Principles

With the biggest car fleet in the UK, we are well aware of our environmental footprint, and our responsibility to minimise our impact on our planet. We have set ourselves near-term science-based targets to reduce our emissions, and we have begun the process of seeking certification as a B Corp, a natural step for us as a business committed to balancing the needs of our customers, our employees, the environment, local communities and wider society.

Our new Impact Report gives further details of our ambition in this area and the work that our colleagues have been doing to become a responsible company that seeks to have a positive impact in all areas of our work.

[See our Impact Report here](#)

We are passionate about promoting diversity and inclusion in our organisation. Our new equality, diversity and inclusion strategy sets out how we plan to reflect the diversity of the working population, to represent the diverse communities of our customer base, and create a culture where everyone feels valued and respected. We are taking action to address the pay gaps in gender and ethnicity, and we are launching more initiatives to support our staff and their development.

[Read more on page 24](#)





## CEO statement continued

## Growing the Scheme

A core part of our mission is to ensure that every eligible person who could benefit from joining the Scheme does so. I am passionate about supporting affordability, keeping future vehicle prices as low as possible and protecting our customers from rising costs. By growing the Scheme, we can continue to increase our economies of scale and negotiate the best deals. This requires significant upfront investment, both to reach our potential customers and to expand our fleet of electric vehicles, and our financial model allows us to do this.

## The real-life impact of the Scheme

We are proud of the difference we make for our customers, and are humbled by the stories they share with us. I hear from our customers all the time who have gained independence and confidence from their Scheme vehicle, and are able to pursue their hobbies, have access to work and get their families from A to B. These stories inspire us and motivate us to keep innovating and investing for the future. We are not just a leasing company, we are a lifeline for our customers. And we are determined to make sure that the Motability Scheme remains fit for the future.

## Thank you to colleagues and partners

I want to say thank you to all our colleagues and partners, who work tirelessly to put our customers first and share our vision and our values. They make the Motability Scheme possible and deliver the worry-free package that our customers deserve. Whether they work directly for us, or for our Scheme partners, they all put our customers at the heart of what they do.

Our customers choose to exchange their allowance with us and it's our responsibility to ensure that their money is well spent. Since we were founded over 45 years ago, the Scheme has transformed the lives of over five million disabled people. By using our financial strength and our scale we can ensure no one is left behind, particularly in the upcoming transport revolution. Our plans and investments outlined in this report mean we will continue to provide the Motability Scheme to millions more disabled people, and ensure sustainability for generations to come.

**Andrew Miller**

Chief Executive, Motability Operations

[Click here to watch the full video](#)

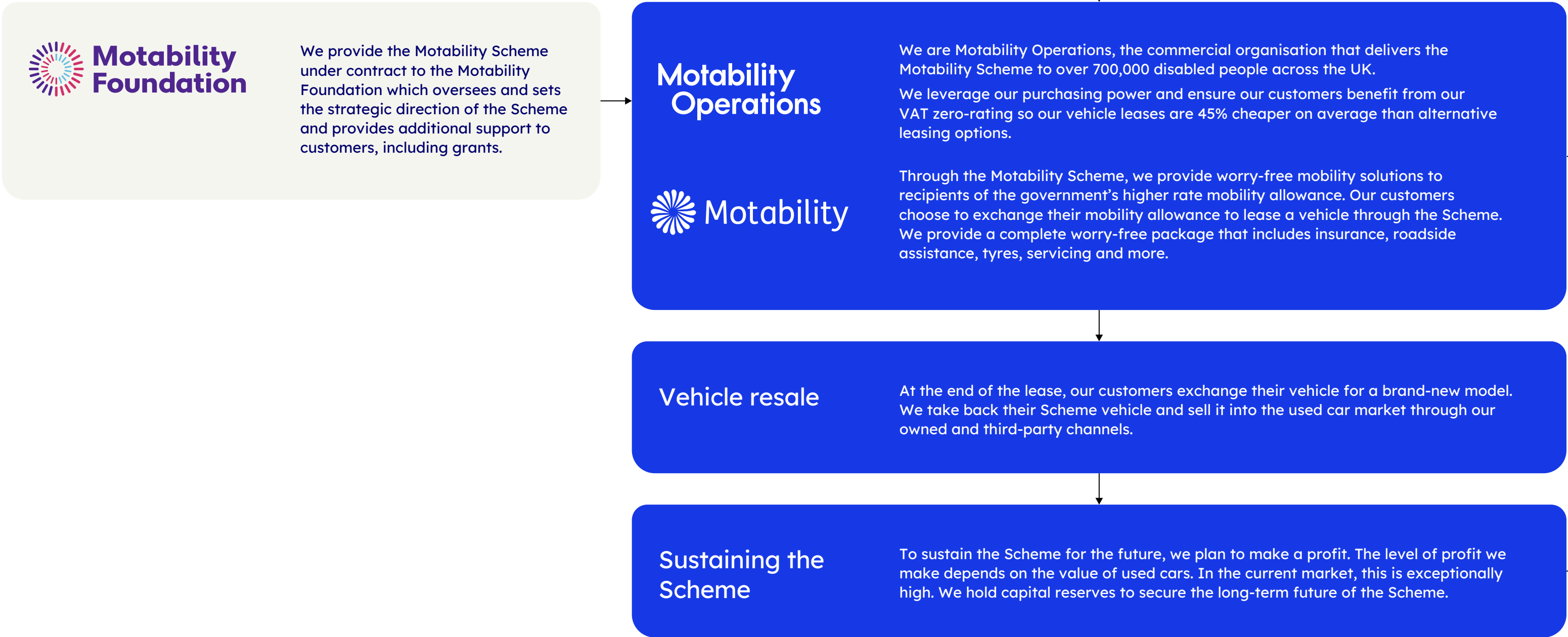
over 35,000  
EVs on the fleet

Megan has decided to make the switch to an EV

“Now is the right time to go electric, because there are more and more charging stations being set up.”



# How it works







**Matthew Hamilton-James**  
Chief Finance Officer, Motability Operations

# Delivering value for money

Continued buoyancy in used car values has enabled us to commit to further significant investments to support our customers during challenging times.

## Overview

As anticipated, during the year to September 2023, we have seen the increasing availability of new vehicles as the global supply constraints have gradually abated. We are working hard to fulfil the existing order bank and remain focused on supporting our customers by providing lease extensions for those waiting for new vehicles.

Although new vehicle supply is improving, it remains well below pre-pandemic levels and consequently, new vehicle prices remain at elevated levels. A knock-on effect is that there remains a strong retail demand for used vehicles, which continues to have a direct impact on the value of our fleet, leading to higher vehicle resale prices at the end of a lease, and reduced depreciation charges as we assess future residual values. These values have remained above expectations during the year to September 2023.

Last year, this financial upside enabled us to commit to a number of investments to support affordability for our customers (as outlined in the 2022 Annual Report and Accounts). The sustained upside in used vehicle values during this year has provided the headroom to extend our commitments. Details of the progress on the deployment of these previous initiatives and incremental investments are outlined later in this report.

Our year-end fleet stood at 710k, reflecting a 8.9% growth in customer numbers during 2023. We saw a record 110,551 brand new customers joining the Scheme in 2023. Renewal rates for existing customers tracked at 90% and we have made progress in fulfilling the customer order bank which closed the year at 118k (2022: 117k), with lead times (from application to delivery) at 17 weeks, compared to 25 weeks at the same point last year. However, this remains above the 10-week lead time in the pre-pandemic, pre-supply challenges environment, and we continue to support 129k customers in lease extension (FY2022: 136k).

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. Many customers are using their £750 New Vehicle Payment to offset any advance payment due.



CFO statement continued

Financial overview

We continue to target a 1.5% post-tax return on assets in order to provide long-term sustainability and ensure that there is built-in recoverability in the event of market downturn. The unguaranteed residual value of our fleet was £10.2bn at September 2023, meaning that a 1% movement in used car values would impact us by £102m. This means that whilst we hold capital reserves to provide protection against unexpected downside movements in values (so we can insulate customers from these financial impacts), any positive movements can lead to above target profitability. During the year ended September 2023, the strength of the used car market has been the primary driver of a post-tax profit of £604.6m, representing a 4.4% return on assets.

**Revenue:** Total revenue increased by 17.8% to £5,547.6m (FY2022: £4,708.4m).

- **Rental revenue** £2,370.9m (FY2022: £2,172.2m): The increase is largely driven by an increase in our customer numbers, plus a 10.1% uplift in mobility allowances from April 2023 (allowances are uplifted each April based on the Consumer Price Index recorded in the previous September).
- **Disposal revenue** Disposal revenue was £3,092.3m (FY2022: £2,482.4m) from the sale of 199.8k vehicles (FY2022: 162.7k), an increase of 1.5% in net proceeds.
- **Vehicle remarketing profit** £678.1m (FY2022: £723.4m) The strength of used car values across the industry has resulted in significant profitability upon vehicle resale at the end of lease. The average gross sale values for car disposals was £16k across FY2023, an increase of 52% compared to FY2019 (£10.5k). The reduction in year-on-year disposal profit is primarily driven by a 11.8%/£1,272 increase in the average net book value on vehicles sold compared to FY2022.
- With regard to assets and residual values, operating lease assets were £11.7bn at September 2023 with an unguaranteed residual value of £10.2bn. We undertake a quarterly reassessment of the anticipated value of the fleet, and at each financial period-end, we recalibrate depreciation, to reflect any movements in residual values.

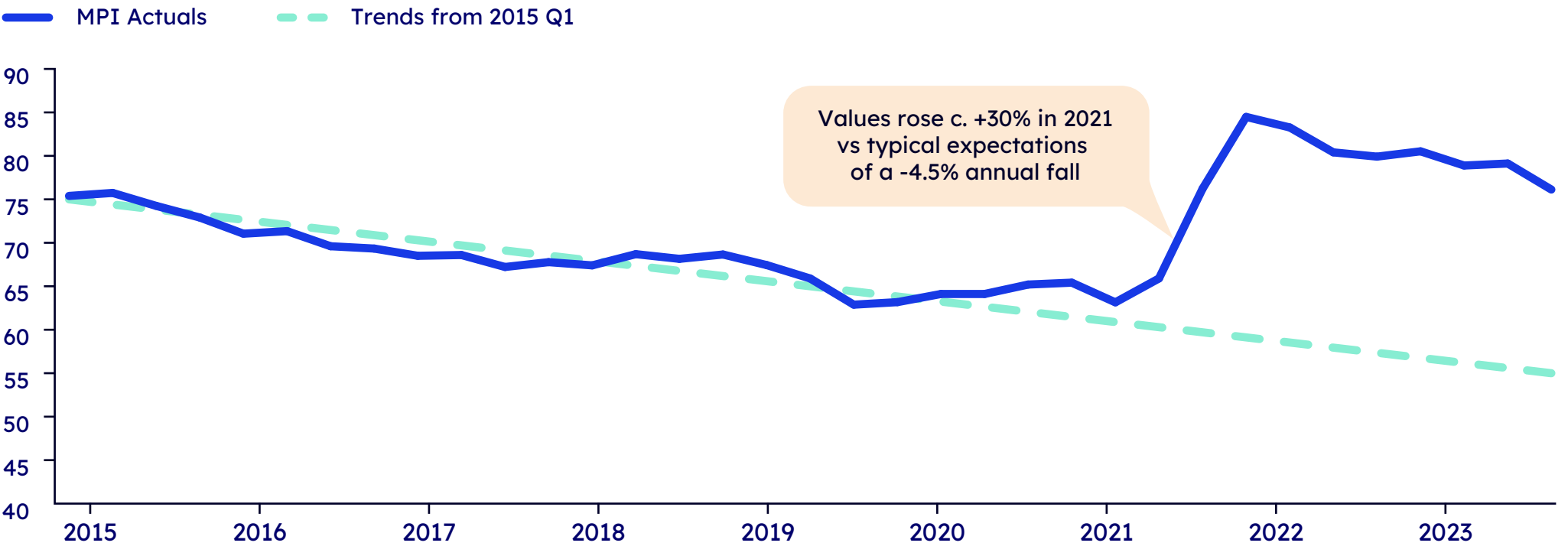
- The revaluation seeks to attribute a value to the existing fleet (which we will return to market over the next three years). Whilst our outlook anticipates a relatively steep decline in values over the next 12 months as used car values begin to normalise, the estimated fleet remains above levels estimated in lease pricing over the last three years. Consequently, the fleet revaluation continues to anticipate a net gain of £1.6bn after adjustments for selling costs and early termination leases. This positive outlook drives a depreciation credit of £510m in 2023. The impact of this, together with a £122m credit brought forward from previous year revaluation exercises, reduces the 2023 depreciation charge by a total of £631m.

- However, as referenced earlier, not all of the net revaluation gains can be recognised through adjusted (reduced) depreciation, as assets cannot be appreciated to a point above the written-down book value at the beginning of the financial period. This blocked appreciation may result in additional vehicle remarketing profitability in future periods of up to £157m, provided that the current assessment of future values holds.

- Capital management:** Capital reserves increased to £4.4bn at September 2023 (FY2022: £3.8bn).
- We continue to use an Economic Capital model to determine the appropriate level of capital required to protect the business from shock events and continue to apply a 99.99% confidence level for our assessment of risk. Our policy is to target a capital position above the 99.99% threshold, plus buffer.
  - As we do not pay shareholder dividends, any capital above the target level is actively invested to support current and future customers, and to support Motability Foundation’s wider mandate.

New car supply shortages have led to extraordinary and sustained strength in used vehicles

Indexed Quarterly Used Car Values vs. Trend



(Source: MO, 2023)



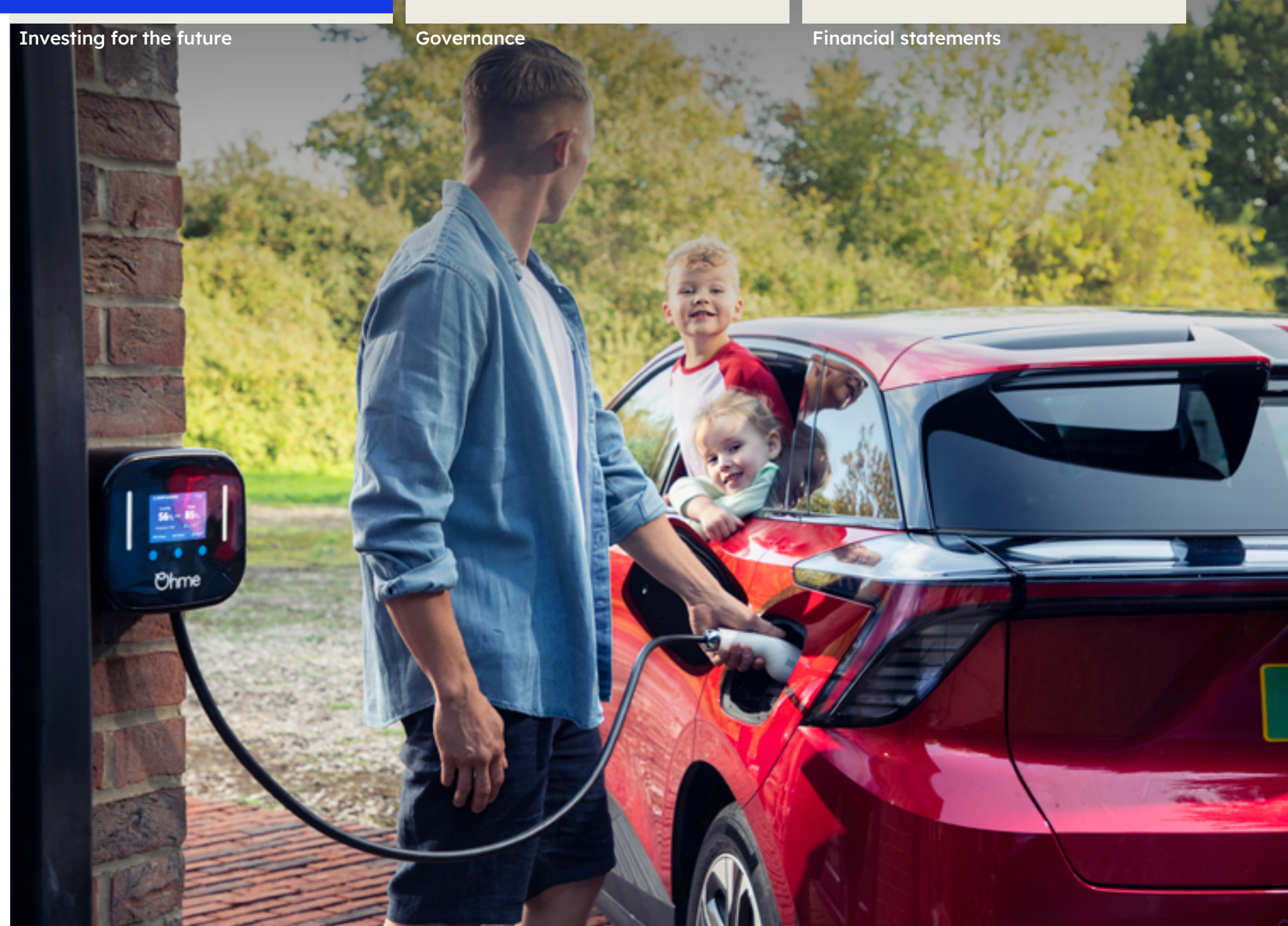
## CFO statement continued

**Investing to support our customers**

The financial result in FY2023 has led to incremental capital headroom above that anticipated when we set out the range of customer investments outlined in the FY2022 Annual Report and Accounts. This allows us to not only reaffirm these previous commitments, but also to incrementally build on them, with an extension to the New Vehicle Payment (NVP) and a further donation to the Motability Foundation, as outlined below.

**Investing in direct support for our customers**

- Rollout and extension of the New Vehicle Payment (NVP):**  
 Last year, we committed £525m in an enhanced NVP. The NVP increased from £250 to £750 for all renewing customers and any new to Scheme customers who place an application during 2023. The NVP is payable upon delivery of the customer's new vehicle, with the ability for customers to directly offset this payment against any advance payment due. Customers who have previously received a £250 NVP subsequently received a £500 top-up payment. To date, £282.7m has been paid out in NVPs, with a further £87m committed across the current order bank. This year's financial result has enabled us to extend the NVP for all new to Scheme customers who place an application during 2024 – an estimated investment of £83m to support customer affordability.
- £300m investment to support the transition to electric vehicles:**  
 In 2021, we ring-fenced £300m of capital to ensure that our customers are not left behind on the transition to electric vehicles, recognising the higher cost of electric vehicles and challenges around the vehicle charging infrastructure. Good progress continues to be made in the deployment of this investment. To date, £131.1m has been deployed in supporting 8,895 customer orders (across vehicles delivered and the existing order bank), with 28,447 standard home chargepoints having been installed free of charge. We remain committed to rolling out the remainder of this investment over the next two to three years. As at year end, 5.8% of our customer applications are for electric vehicles and we expect this proportion to increase significantly during 2024.



**£300m**

invested to support the  
transition to electric vehicles  
over the next 3 years



**£610m**

investment in the New Vehicle  
Payment scheme



**£645m**

in wider  
affordability support



## CFO statement continued

- **£645m in wider affordability support:** Last year, we ring-fenced £645m of capital to support affordability across the next two to three years, recognising the impact that rising new vehicle prices continue to have on affordability (coupled with the wider impact of inflation on cost of living). In effect, this investment will subsidise lease prices to ensure that a wider range of vehicles is more affordable for our customers (including a broader offering at ‘nil advance payment’) as vehicle supply begins to normalise. We expect to begin deploying this investment during 2024.

**Donation to the Motability Foundation**

Our capital headroom has also enabled our Board to approve the payment of a £250m donation to Motability Endowment Trust in September this year. This donation will allow the Foundation to continue to build on its ambitions in supporting the UK’s disabled population with their transportation needs into the future. The endowment provides a stable source of income generation for Motability Foundation in the context of a growing volume of grant applications from the Foundation’s beneficiaries. Approximately 70% of Motability Foundation’s charitable expenditure is deployed in the form of grants to support customer affordability as they access the Scheme. The FY2023 result is net of this £250m donation.

“Affordability and vehicle availability improved during the year as new vehicle supply constraints eased. We continue to roll out significant investments to support customer affordability and are pleased to report an accelerating growth in customer numbers as existing customer orders are fulfilled, with record numbers of brand new customers placing applications. In August, customer numbers passed the 700,000 mark for the first time.”

**Financial implications as we deploy our capital headroom**

The Board is confident that Motability Operations has the capital capacity and liquidity to support the investments outlined above. In effect, we are utilising capital headroom (over and above the prudently calculated capital requirement, set at a 99.99% confidence level, plus buffer). Whilst the donation to the Motability Foundation has already been recognised in the FY2023 financial statements, the nature of the wider affordability investments means that these will spread forward across multiple years.

In effect, we will deploy our capital headroom to subsidise future lease costs by pricing in a below 1.5% or negative return on assets. Importantly, these investments are time-bound, and once utilised, we will revert to lease pricing based on a 1.5% return on assets. Capital is expected to remain above the minimum requirement (plus buffer) throughout the forecast horizon.

**Insurance**

On 1 September 2023, we successfully transferred our fleet insurance provision from RSA to Direct Line Group (DLG). From this date, all new claims are covered and managed by DLG. The new arrangements ensure that customers benefit from a market-leading, interactive tech platform, simplifying the handling of their account. We remain focused on ensuring that customer touchpoints are as simple and user-friendly as possible, particularly those which can be more stressful, such as reporting accidents or making a claim on their policy.

Motability Operations participates in a proportion of premium exposure via our A-rated reinsurance captive, MO Reinsurance Ltd (MORL). MORL’s net exposure is contained through a conservatively structured reinsurance programme. The Group financial statements include the consolidated results of MORL with segmental reporting to reflect the way we manage and report on this business activity. The segmental analysis can be found in note 5 to the financial statements, highlighting a profit of £2.5m in the year to September 2023 (September 2022: profit of £5.2m).



# £4.4bn

Capital Reserves underpin the sustainability and growth of the scheme and enabling investment in the customer proposition



## CFO statement continued

MORL's performance has been impacted by strong inflation in repair costs, in common with experience across UK motor insurers. In addition to this, MORL has seen additional increases in repair costs resulting from the switchover from RSA to DLG as the Scheme's insurance partner, with investment required to maintain the engagement and performance of RSA repair partners in the lead up to the book moving to DLG. Off-setting these adverse trends, MORL has seen strong performance in 2023 from investment returns, and performance on whiplash claims has been favourable following the implementation in 2021 of legal reforms in England and Wales. The year-end position reflects a cautious view of the outlook for outstanding claims as the RSA claims book moves into run-off, with a risk margin once again applied, calibrated at the 85<sup>th</sup> percentile.

### Taxation

For the year ending September 2023, the Group's underlying tax charge was £100.2m (13.4%) with an additional £43.2m deferred tax charge following the remeasurement of deferred tax (the standard rate of corporation tax in the UK changed from 19% to 25% with effect from 1 April 2023 onwards and therefore deferred tax has been re-measured at the rate at which timing differences are expected to reverse). The tax rate is less than the headline rate of 22% because of non-taxable capital gains arising in the year. These gains occurred due to the strength of the used car market, which has seen vehicles being sold for net proceeds exceeding the original cost of the vehicles as incurred at the start of their leases.

### Cash and funding

The Group continues to pursue a strategy of maintaining appropriate liquidity headroom and a well-diversified ladder of funding maturities. To date, this has been achieved through a combination of GBP and EUR denominated capital market bond finance and through committed bank facilities. Motability Operations intends to pursue this strategy which has served us well to date.

We raised incremental financing during the year to fund the growth in customer numbers, with two dual-tranche issuances under the Group's Social Bond Framework. In January 2023, we issued a €500m 8.5-year EUR bond and a £350m 20-year GBP bond, and followed this up with £650m issued via a dual-tranche GBP issuance in September of £250m 12 year and £400m 25 year. This refinancing provides liquidity to meet Motability Operations' medium-term funding requirements, including the settlement of the €550m bond which matured in June 2023.

As part of our commitment under the Social Bond Framework (which is in accordance with the ICMA Social Bond Principles (SBP) 2020 as confirmed by a 'Second Party Opinion' (SPO)), our second 'Annual Report on Eligible Social Projects' will be published in January 2024, 12 months after the issuance of the Group's bond in January 2023, which will demonstrate how the bond proceeds have been utilised.

This Impact Report has been verified by DNV GL under their Assurance Statement as complying with commitments given by Motability Operations in its Social Bond Framework.

### Bank facility

The Group completed the refinancing of its banking facilities on 31 October 2022, with a new five-year facility (£400m term loan and £1.5bn revolving credit facility), with two 'plus one' options, syndicated across our existing banking group. Aligned to our wider sustainability agenda, the new banking facility is a sustainability linked loan, with margin ratchets linked to the delivery of challenging measures in respect of CO<sub>2</sub> reduction and customer satisfaction targets.

At the year end, the Group held cleared cash balances of £80.3m (of which £75.1m was ring-fenced in the Group's reinsurance captive on the Isle of Man). The Group's average debt maturity was 9.9 years at the balance sheet date (FY2022: 8.5 years).

### Treasury policy

Consistent with other aspects of our business activities, we have adopted a measured approach to treasury management. We use derivative financial instruments (specifically interest rate swaps) to reduce our exposure to interest rate movements that affect the funding of existing leased assets. The Group also fully hedges the foreign currency risk consequent on its four fixed-rate Eurobonds using cross currency swaps.

The Group's overall interest rate risk management strategy is to convert all newly issued foreign-denominated debt into the Group's functional currency of Sterling. We operate hedge accounting, and derivative financial instruments are 'marked to market' with their value being shown on the face of the balance sheet. The value of the hedging reserve at 30 September 2023 was £12.9m post-tax.

### Outlook

Our business model is designed to protect customers and ensure the long-term sustainability of the Scheme. We continue to carefully monitor developments in new vehicle supply and the associated dynamics in the used car market.

Looking ahead, there are undoubtedly challenges to navigate as the new vehicle supply side begins to normalise, and the impacts of higher interest rates and inflation continue to bite. Aligned to our expectations of falling used car values in the year ahead, in November, CAP data signalled a 6.8% month on month reduction in values. We will continue to carefully monitor the demand and supply dynamics affecting the used car market and, whilst this year we have once again benefited from positive movements in the value of our fleet, we are acutely aware that this volatility can of course move in the other direction.

Whilst it is difficult to plot the next couple of years with absolute certainty, we are confident that our finances are in good shape, and we remain committed to the programmes of investment to support affordability for customers as the market rebalances, following the successive challenges of Covid-19 and the global supply constraints.



**Matthew Hamilton-James**  
Chief Finance Officer



# Measuring our success

## Performance against Scheme objectives

We track performance through a range of contractual objectives as agreed in the Motability Scheme agreement with the Motability Foundation. These are designed to ensure we deliver a successful and efficient Scheme for our customers. We also have a range of internal key performance indicators (KPIs).

### Building our customer and disability expertise

#### Objectives

- Deliver best-practice customer service through our call centre
- Ensure that the standard of services deployed through our key suppliers is commensurate with our internal targets
- Build our adaptation and conversion expertise to ensure that customers have a seamless experience and that we are recognised for the excellence of our ‘one-stop shop’ service
- Provide our customers with the information and tools they need to select a suitable car from the wide range available
- Provide information to support decision-making to meet customers’ mobility needs

#### Delivery

- We have implemented a new telephony platform, to support increased call volumes. We also continue to develop our digital customer experience via our online chat, across our social media channels and through new and improved content across the refreshed Scheme website. The new telephony platform sees a change in how we monitor and manage service levels, moving to reporting on our service levels versus average speed to answer a call
- The continuous mobility programme has ensured that our customers remain mobile, while we continue to experience supply chain shortages
- We are working in partnership with CALLUM, a design and engineering consultancy, and our OEM partners to find a solution for the electrification of Wheelchair Accessible Vehicles (WAVs). WAVs are the most complex vehicle solutions that we have on the Scheme and a core component of our fleet and we are committed to ensuring that our WAV customers are not left behind in the transition to EVs

[Read more on page 32](#)

### Overall customer satisfaction

We deliver by putting our customers at the heart of everything we do and listening to what our customers need.



**9.6**  
out of 10  
Target of 9.2 out of 10

### Roadside assistance average response time

Keeping our customers mobile remains our priority. In the event of a breakdown, Scheme customers receive priority assistance from our Scheme partner, the RAC, with an average response time of 39.1 minutes during the year (compared with a KPI target of <42 minutes). In most cases, problems are quickly resolved and customers are able to be mobile again.



**39.1 mins**  
Target of <42 mins



Scheme KPIs continued

Providing value and choice

Objectives

- Provide stability in pricing and choice throughout the economic cycle
- Provide a wide selection of vehicle models and brands
- Maintain a range of at least 200 cars at ‘nil advance payment’
- Ensure that our residual value-setting and forecasting is the best in the industry
- Retain our market leadership for vehicle remarketing

Delivery

- As manufacturer retail business models change in line with mobility trends and customer behaviours, we are working with manufacturers to ensure that we maintain choice and affordability for our customers
- During the year, two new manufacturers joined and two manufacturers rejoined the Scheme which enabled us to access new and relevant electric vehicles as they come to market, ensuring that our customers continue to have access to new technology as we move towards 2035
- Following the acquisition of a site in Coalville in the summer of 2022, we have been scaling up our capacity and capability to support our extensive vehicle refurbishment requirements. The outputs of these sites directly impacts the volume of vehicles we can sell online. After 12 months and alongside securing additional third party repair capacity we are now processing over 50,000 vehicles per annum across these two sites
- Fulfilling the KPI ‘Maintain a range of at least 200 cars at nil advance payment’ has continued to be difficult this year as a result of the supply chain constraints. We have had on average 71 cars on the Scheme with a nil advance payment throughout the year compared to 75 last year, which still provides a good level of choice and affordability for our customers who need it most
- Our EV fleet continues to grow with 6.9% of customers choosing an EV for their next car on the Scheme. We have been able to offer customers an average of 93 electric vehicle options during the year
- We continued to develop our processes of residual value forecasting, to ensure customer pricing is based on a fair and reasonable assessment of future market values

Relative affordability –  
% cheaper than alternative

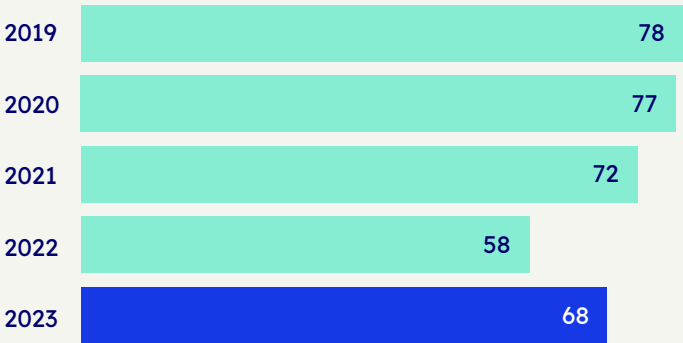
We benchmark ourselves using commercial contract hire quotations. These are usually unavailable to the general public and are likely to be less expensive than personal contract purchase quotations. Our economies of scale, operational efficiencies and a VAT concession (which is passed onto customers in lease pricing) deliver the majority of this differential.



47%

% of vehicles sold online at the end of lease

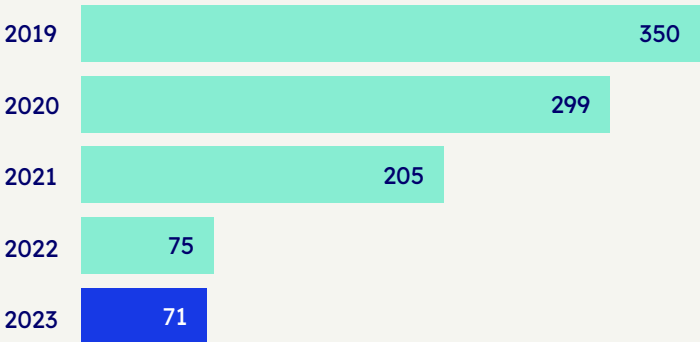
Selling via our online sales channel, ‘mflirect’, provides an effective, low-cost route to market which facilitates the management of our high volume of disposals, and also ensures a competitive sales environment through which we seek to maximise our net return.



68%  
Target of 70%

Affordable vehicle choice at  
‘nil advance payment’

We aim to maintain the availability of at least 200 cars that are funded solely by the assignment of the customer’s Disability Allowance. During the year to September 2023, we were unable to reach this target because of low availability of cheaper models due to continued supply constraints.



71  
Target of >200  
Average from  
Oct 22 – Sept 23



Scheme KPIs continued

Improve reach and awareness

Objectives

- Raise understanding of Scheme elements and confidence and trust in the Scheme
- Maximise effectiveness of multimedia channels to increase understanding within the eligible customer base
- Identify and, where appropriate, remove any barriers for potential customers
- Continue to encourage Motability dealers to promote the Scheme in line with our brand

Delivery

- Our series of ‘One Big Day’ events over the summer attracted over 26,000 attendees across five events and 1,400 test drives. We were delighted to be able to host one of these events in Scotland again
- Our digital capability enabled us to once again live stream events for our customers who were unable to attend the Big Event at the NEC in Birmingham. The streamed events included speaker sessions and interviews with our team and other motoring experts, with total live stream views coming in at over 7,300, versus almost 4,000 people last year and over 14,000 views of the streamed content on demand
- This year we were delighted to announce our sponsorship of the British Wheelchair Basketball team and the appointment of our first Brand Ambassador, Mark Ormrod MBE. He will help us increase awareness of the Scheme and tell real life stories of our customers’ everyday freedom
- We have continued to provide operational and disability confidence training for dealer Motability specialists, through our online platform
- Over 500,000 customers now have an online account which offers customers a range of self serve capabilities
- We have continued to work with Family Fund, the UK’s largest charity providing grants for low-income families raising disabled or seriously ill children and young people, to deliver a scheme providing vehicles to families with children under the age of three who are seriously ill or disabled but do not yet qualify for a mobility allowance. This programme is grant funded by the Motability Foundation, and during the year more than 500 families were supported by the provision of an appropriate vehicle
- On 1 September 2023 following a two-year detailed transition plan we successfully transitioned over 700,000 insurance records from RSA to our new insurance partner, Direct Line Group (DLG). The transition provides customers with access to a market leading tech platform to enhance the policy and claims experience

Trust in Motability

Since 2012 we have measured customers’ trust in the Motability Scheme. Trust is considered to be key in enabling current and potential customers to make an informed and confident choice of a mobility solution that meets their disability needs and, in turn, strengthens customer advocacy of the Scheme.



96%  
Target of >85%

Customer renewal rate at the end of lease

Whether customers decide to renew at the end of the lease is a key measure of our success in delivering affordability, choice and customer service. During the year to September 2023 our customer renewal rate was 90%, compared with a KPI target of 85%.



90%  
Target of >85%

\* During FY2023 we have changed our approach on renewal rate, and we now identify the proportion of customers who renew from all lease terminations (rather than just those who go to full term).

Customer advocacy

Existing customers are the Scheme’s biggest advocates, with 9.6 customers out of 10 saying that they would recommend the Scheme to others.



9.6  
Target of 85%



Scheme KPIs continued

Ensure long-term sustainability

Objectives

- Maintain a prudent reserves policy that provides financial strength adequate for us to withstand the impact of potential shock events
- Create opportunities to access wider sources of competitive funding. We aim to maintain our credit rating, enabling us to secure the most appropriate funding at competitive rates
- Attract and retain quality people
- Ensure that our premises and information technology infrastructure are robust and future-proof
- Continue to nurture effective partnerships with key stakeholders
- Maintain a forward-looking environmental policy, providing a choice of environmentally friendly vehicles on the Scheme, balancing customer needs with fuel economy and emissions

Delivery

- The strength in the used car market during the year ended September 2023 is the primary driver for our continued positive financial results, as we continue to see higher vehicle resale prices at the end of a lease, and reduced depreciation charges
- We continue to apply capital modelling methodology and our applied risk appetite and confidence levels, and we benchmark our capital reserve levels against near-comparable companies. This Economic Capital approach has been confirmed as appropriate by Oliver Wyman and supports the Group’s application of a 99.99% confidence level
- Our strategy is simply to hire the best talent for the job. We firmly believe in diversity and inclusion, encouraging hiring managers and recruiters to look at a balanced shortlist. Over the last year, we have enhanced our training and development programmes through our Leadership Development programmes and strengthening our e-learning modules

See more on page 27

- Maintained a proactive engagement programme with key stakeholders, operating in a transparent and straightforward manner
- Our near-term (2023) Science-Based Targets (SBTs) were verified by the Science Based Targets initiative (SBTi) at the end of FY23 and we have signalled our intent to submit long-term (2050) net zero targets to the SBTi

Employee engagement

We participate in an independent annual review of business culture, where we have significantly outperformed the ‘High-Performing Organisations’ benchmark. Employee engagement is 10pts higher than the benchmark.



92%  
Target of 84%

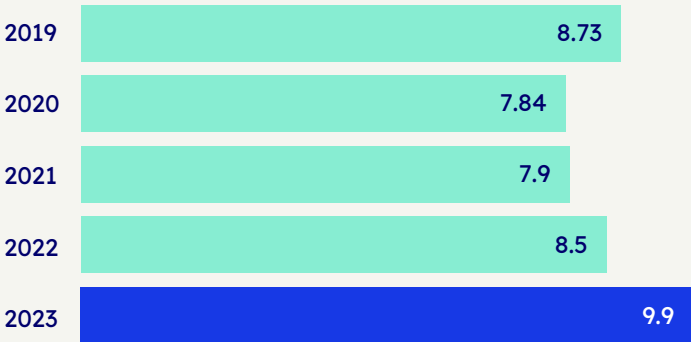
Credit rating

Our credit ratings underpin our ability to fund the Scheme in a sustainable and cost-effective manner. Our ratings remain A/A1 with stable outlooks (from Standard & Poor’s and Moody’s respectively).

A/A1

Debt maturity profile

The Group aims to retain a well-laddered debt maturity profile in order to effectively manage refinancing risk. The average debt maturity remains appropriate at just under 10 years.



9.9 yrs



We care: customer story

# We care

## The ease and simplicity of the Motability Scheme

Since the inception of the Scheme, Motability Operations has provided over five million customers with affordable transport solutions, empowering them to move around on their own terms. Scheme customers are at the heart of everything we do.

The Motability Scheme offers a complete, worry-free package including insurance, maintenance and servicing, breakdown assistance, tyre replacement and a mileage allowance. One of our valued customers, Ian has changed his tyres a couple of times due to poor road surfaces and the all-inclusive lease has given him added peace of mind.

Ian's dealership was very helpful. The vehicle didn't have an automatic close on the boot, so they immediately provided a strap to be able to pull the boot down.

"I didn't think I'd qualify for the Motability Scheme but finding out I was eligible was a blessing – we'd probably be housebound without it. Driving for the first time was an absolute joy. Being an automatic, the car practically drove itself! It suits my needs perfectly. I don't think three words are sufficient, because it's wonderful and it's changed our lives."



[Click here to watch the full video](#)



"Finding out I was eligible was a blessing...We'd be housebound without it."

Ian



# Our people

## Our purpose and values

We recognise how important our people are in delivering the Motability Scheme for our customers. The impact we have on customers’ lives is key to our values.

Everything we do is about delivering smart, sustainable solutions that improve our customers’ mobility, and our people are a key enabler to this. We take pride in going that bit further for our customers, we know our customers rely on us, and we encourage our people to use empathy and problem-solving skills to make a real difference for every customer.

We have been making a positive impact on the lives of disabled people and their families for over 45 years, and we have consistently been a supportive and inclusive employer that enables people to perform at their best. Overwhelmingly, our employees believe strongly in our purpose and want to provide an excellent service for the benefit of our customers.

### Our beliefs...

**We believe  
no-one should  
be left behind**

**We believe  
we must  
take the lead**

**We believe  
everything starts  
with the customer**

### Our values...

**We find solutions**

We’re all in it together. To make things better. For our customers, partners and each other.

**We drive change**

We know the power of positive change. So we never stop raising the bar, or rising to challenges.

**We care**

We’re respectful, warm and welcoming. It’s how we support everyone – from colleagues to customers.



## Our people continued

**Moving together keeps our customers moving**

At Motability Operations, we employ around 1,600 people across four sites, in London, Bristol, Edinburgh and Coalville, our new vehicle refurbishment site in Leicestershire.

Following the development of our new purpose that explains why we exist and what our role is for our customers, we developed a new set of values that align to and support our purpose through our everyday behaviour.

Our new values represent our ambition, they are not just words on a page, and we want our people to live, breathe and demonstrate them every day.

The values were launched through a series of internal communications and employee roadshows. Furthermore, to embed the values, we redesigned our performance framework, embedding the values as part of performance evaluation. This has been rolled out to the business and supported through communications, divisional updates and objective setting workshops for all line managers.

Performance across the business is now measured against the new values and against individual and overall business objectives. The new framework also includes greater transparency of how individual performance and our values link to remuneration.

As a business, we also reviewed how leadership roles worked together to enable increased collaboration, communication and delivery. Our senior leadership team has been defined and we held our first senior leadership meeting in July 2023. The aim is to ensure that the group of people responsible for directing the business going forward is aligned and empowered to work across the business to deliver the objectives of the Scheme and our business strategy.

In addition, training was provided for the wider leadership team during the year to develop our culture, embracing the new values and to provide our leadership team with the skills and tools to develop our people and provide the required leadership and direction.

**2023 employee survey****98%**

of our employees fully support the values that Motability Operations stands for

**97%**

of our employees are proud to be part of Motability Operations

**97%**

of our employees believe Motability Operations is truly customer-oriented

**96%**

of our employees believe strongly in the goals and the objectives of the organisation



## Our people continued



## Laura's story

Laura joined Motability Operations in 2017 as a Customer Experience Specialist, in our customer contact centre. Her role helps and supports customers, dealing with any queries they may have about the Scheme.

Laura is our REACH employee network lead, supporting and representing a range of voices from colleagues of all races, ethnicities and cultures and helps to drive change in the business.

“Every day is a learning day, which I love. I feel privileged to have a role where I get to hear first-hand the positive impact the Scheme provides to our customers and colleagues. To be a part of a business that puts the customer and our colleagues at the heart of everything we do, showing we care, and making a difference to our customers' lives every day, is really rewarding.”

Laura says it's the commitment to customers and the freedom to find solutions that makes Motability Operations different from other employers.

“The dedication to explore different thoughts, ideas and the flexibility to grow is what makes MO really different. I don't know any company like MO, which puts the customer at the heart of every decision that is made.”

### Standing out as an employer

As a business, we conduct an annual employee engagement survey covering a wide range of topics. The results are benchmarked against an independent High-Performing Organisations Index facilitated through Willis Towers Watson. Our scores have broadly stayed in line with our position last year, which is really positive, considering that after a pandemic bubble where scores increased, the wider market trend has seen backward movement. Our scores have remained steady in key categories, such as engagement, customer focus and a supportive culture.

Whilst we are a commercial organisation with ambitious goals, what lies at the heart of everything we do is the positive way in which we can impact our customers. We are proud of our values and have a unique sense of social purpose in making customers' lives easier.

We defined our Equity, Diversity and Inclusion (ED&I) strategy in 2021, with an aim to promote a culture of openness and trust. Our belief is the better we understand the demographics of our employee base and the communities in which we operate, the better equipped we are to create people initiatives to support and grow diversity in the business. We are extremely proud of our high sharing rates, 100% for gender, 93% for ethnicity, 82% for disability and 73% for sexuality/ LGBTQ+, and as a result we have been able to enhance areas such as a better understanding of our pay gap, not just across gender but also ethnicity, disability and LGBTQ+.

We have also established five employee networks focused on ethnicity, disability, pride, gender and impact and sustainability. Through these networks employees proactively share ideas and suggestions, which are then taken forward as people initiatives.

[See our Impact Report for examples of the progress we have made this year.](#)

### Increased collaboration

The challenges and barriers our customers face transitioning to electric vehicles are clear. As a business, we will need to collaborate and innovate to find the right solutions. We believe that being together is a key enabler to deliver the change required and allows us to better support our teams. By working flexibly and getting together more often, we can develop stronger connections and capitalise on the unique strength of our culture more effectively. To support this, we have adopted a 3/2 model (three days in the office, two from home). We recognise the importance of flexibility in people's lives and want to retain the freedom for employees to work in a way that suits them without compromising the business.



## Our ED&I headlines

**100%**  
Sharing rates for  
employee gender

**93%**  
Sharing rates for  
employee ethnicity

**82%**  
Sharing rates for  
employee disability

**73%**  
Sharing rates for  
employee sexuality/  
LGBTQ+



## Our people continued

**Improving internal communications**

Twice a year, we run employee roadshows, where our people receive updates on business performance and progress with strategic activity. It is also a great opportunity to hear from other people from across the business.

We also run regular webinars, to keep employees updated on the progress and performance of the business.

This year, we relaunched our internal intranet site, 'MOConnect' – this is the central hub of news and updates from across the business. The relaunch has allowed us to communicate more effectively with all employees, as well as giving each team their own microsites.

**Recruitment and retention**

Our strategy is simply to hire the best talent for the job. We firmly believe in diversity and inclusion, encouraging hiring managers and recruiters to look at a balanced shortlist, where possible. To help with selection, we offer recruitment inclusion training for managers. We have also expanded the types of recruitment agencies we use in order to attract more diverse candidates.

We are very proud of our employee retention rates and we monitor retention against industry best practice. Our regretted attrition as at the end of September was 6.79%. This is lower than last year which was at 10.75% but this is to be expected in a post Covid workplace.

**Training and development**

All of our new starters complete disability confidence training workshops when they join the business, so they can confidently interact with our customer base. We continue to run our 'Valuing Difference' programme which supports our approach to inclusion and belonging in the workplace.

Over the last year, we have created a suite of Leadership Development programmes ranging from courses for those aspiring to become leaders in the future to further development for our experienced senior leadership team.

We have also been busy developing our e-learning modules, with new courses on topics such as the new Consumer Duty rules, growth mindset and thinking like an innovator. We are providing our people with the tools and knowledge to develop themselves and in turn support the delivery of the Scheme and our business strategy.





A word from the Motability Foundation



# A word from the Motability Foundation

The Motability Foundation's vision is to build a future where all disabled people have the transport options to make the journeys they choose.

At the Motability Foundation, we fund, support, research and innovate so that all disabled people can make the journeys they choose.

We are continuing to work closely with Motability Operations to keep the affordability of the Motability Scheme under review and assess the affordability support they have put in place for customers. Over the next year, we will work with Motability Operations to ensure that the fleet transitions towards electric vehicles at broadly the same rate as the retail market, while ensuring that customers' specific needs are addressed.

There are 16 million disabled people in the UK – that is more than one fifth of the population. However, disabled people very often struggle to make journeys due to a lack of accessible transport options. This impacts on every area of people's lives, from employment opportunities to wellbeing.

The donation made by Motability Operations in 2022 has enabled us to strengthen our grant-making to disabled people who use the Motability Scheme and to charities and organisations that provide other forms of transport to disabled people. The expansion of our work is against a backdrop of the rising cost of living and increasing financial challenges for disabled people.

We welcome the £250m donation this year, which will enable us to continue to fulfil our charitable ambition. Over the next year, we are committed to increasing the amount we spend on grants to individuals even further. The donation will also allow us to invest in more grants to organisations and charities, with a greater impact for disabled people.

As we move forward and continue our steady investment in innovation activities and research, oversight of the Motability Scheme continues to be the mainstay of our activities. In consultation with the team at Motability Operations, we set the strategic policies and direction of the Motability Scheme and oversee its performance to ensure that it continues to meet the needs of disabled people, both now and in the future.

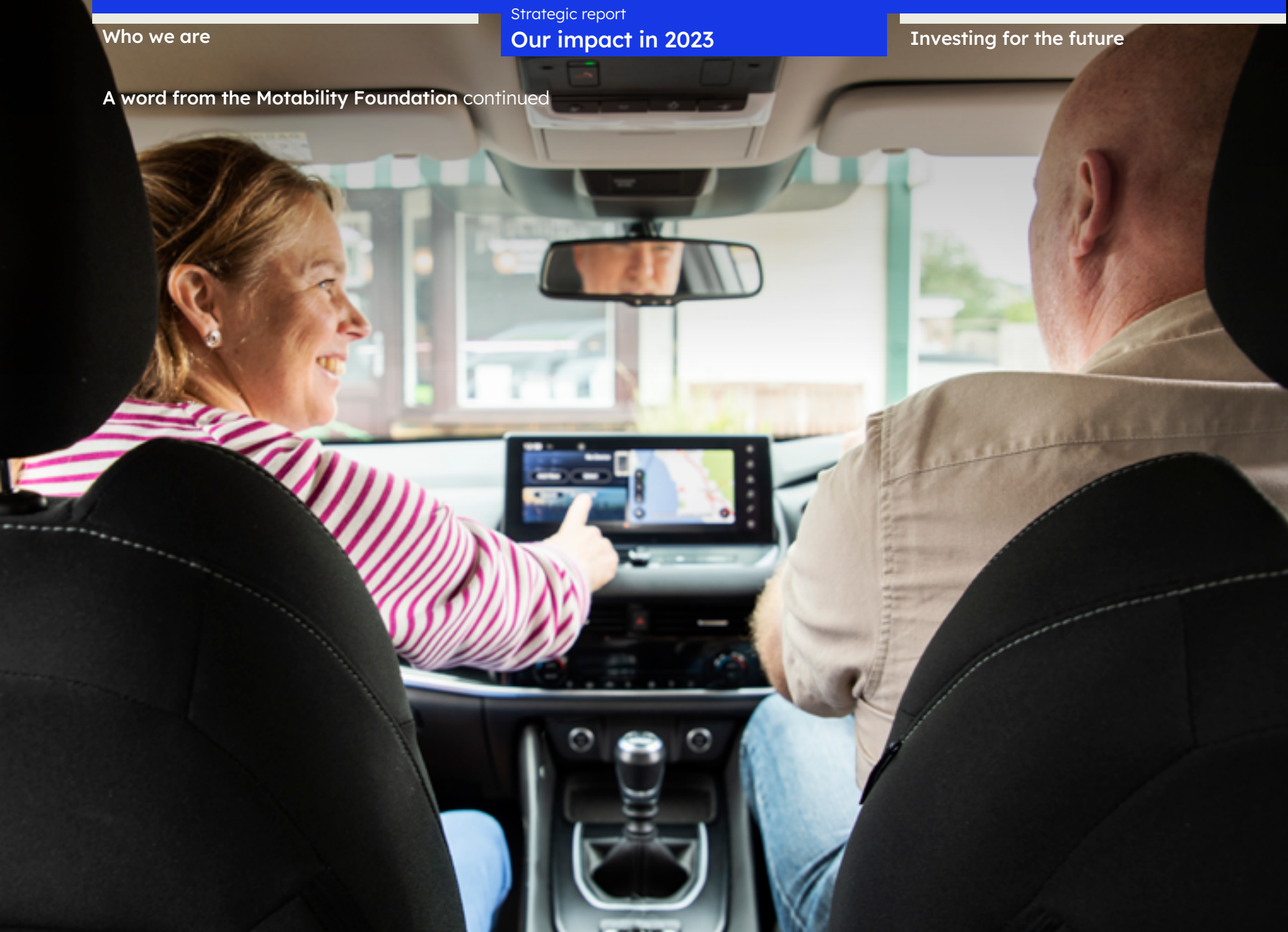
We are immensely proud of the impact we've made over our remarkable 45-year shared history; from the first set of keys handed over to customers, to where we are today. We are determined to evolve and further support Motability Scheme customers and all disabled people to make the journeys they choose.



**16,096**  
grants provided to  
Motability Scheme  
customers in 2022/2023  
(12,000 in 2021/22)



A word from the Motability Foundation continued



**NCAT**

(National Centre for Accessible Transport)  
launched to understand  
how to make transport  
more accessible



**£113m**

in charitable expenditure  
for 2022/23



**19,233**

individuals awarded a grant  
from general funds in 2022/23

### Our most recent annual report (2022/23) states:

- Charitable expenditure at £113m, up 43% from £78.8m last year, with record grants to individuals and to charities and organisations (2022/23)
- 19,233 individuals awarded a grant from general funds in 2022/23 (17,626 in 2021/22)
- Responded to the demand by increasing grants to Motability Scheme customers from £53.8m in 2021/22 to £74.6m in 2022/23
- Refreshed the brand, including a name change to 'Motability Foundation'. The aim is to increase awareness of the charity's wider remit of grant-giving, research and innovation, and to make it easier for disabled people and organisations to find and access the support provided
- Launched a new Wheelchair Accessible Vehicle (WAV) grant programme focused on supporting beneficiaries with more complex disabilities or needs when they are travelling as a WAV passenger
- Endorsed two assessment schemes run by AccessAble and BSI Assurance UK, which check that public electric vehicle (EV) chargepoints are accessible to disabled people. The endorsement confirms that the assessment scheme is checking that public chargepoints conform with the PAS 1899 accessible charging standard
- Launched the National Centre for Accessible Transport (NCAT), run by a consortium of expert organisations and led by Coventry University. The independent centre is working with disabled people's organisations and researchers, transport providers and policy makers to understand how to make transport more accessible and turn evidence into action
- Awarded 27 grants totalling £12.6m to charities and organisations through six impact grant programmes, which will help an estimated 48,000 disabled people across the UK.



A word from the Motability Foundation continued

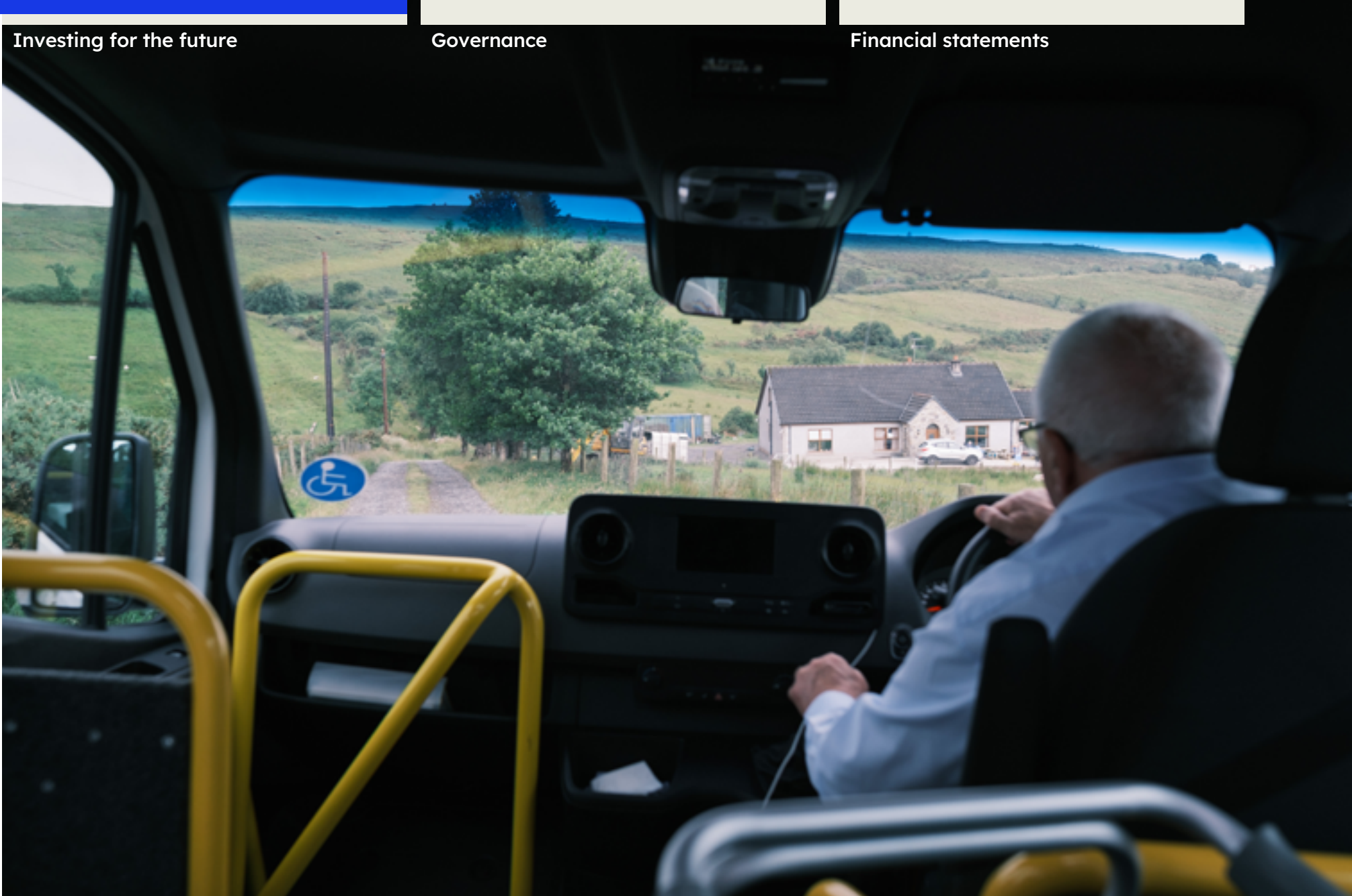
In 2021, we committed £50m of the donation from Motability Operations towards our new grants to charities and organisations. These grants are now making a difference to disabled people across the UK, through other charities and organisations which provide transport, help to access it, or research how to make transport accessible.

**Our work with Easilink**

Easilink Community Transport works across Northern Ireland to deliver community transport services to disabled people. We awarded a grant of £3.4m over three years to Easilink and its local partners in October 2023.

“The project will allow us to transform the accessible transport options available to disabled individuals, the elderly and local organisations who exist to support those with a wide range of both seen and unseen disabilities,” says Claire Russell, Chief Executive at Easilink.

“As a partnership group, we cannot thank the Motability Foundation enough for making such a significant contribution to the lives of disabled people in the most rural and remote areas of Northern Ireland and we look forward to working with you going forward.”



**48,000**  
disabled people expected  
to benefit from Motability  
Foundation impact grant  
programmes for charities  
and organisations

“We cannot thank the Motability Foundation enough for making such a significant contribution to the lives of disabled people in the most remote areas of Northern Ireland.”

**Claire Russell**  
Chief Executive at Easilink.





# Investing for the future

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# EV and innovation

To ensure the long-term sustainability of the Motability Scheme, and meet the Government's 2035 target when petrol and diesel vehicles will no longer be sold, we need to transition our fleet to electric. We already have one of the UK's largest electric fleets, with over 35,000 vehicles, and it's growing all the time.

Scheme customers are at the heart of everything we do. That's why we're focusing on providing extra support as they switch to electric. We provide a wide range of affordable electric vehicle options for our customers so they can switch to an EV when they are ready.

## We find solutions

Our job is to make sure that no matter how transport changes, our customers are not left behind. We've developed an industry-leading, worry-free EV leasing package, which gives our first time EV customers a home chargepoint or access to a network of public chargepoints at no extra cost. But it doesn't stop there.

We know that our customers have unique accessibility challenges that can sometimes be overlooked as technology develops. We are leveraging our scale and collaborating with industry leaders to solve these challenges, ensuring that accessibility is at the forefront of these advancements. For example, we are piloting the Go Charge card.

[Read more on page 34](#)

## More choice and availability for our customers

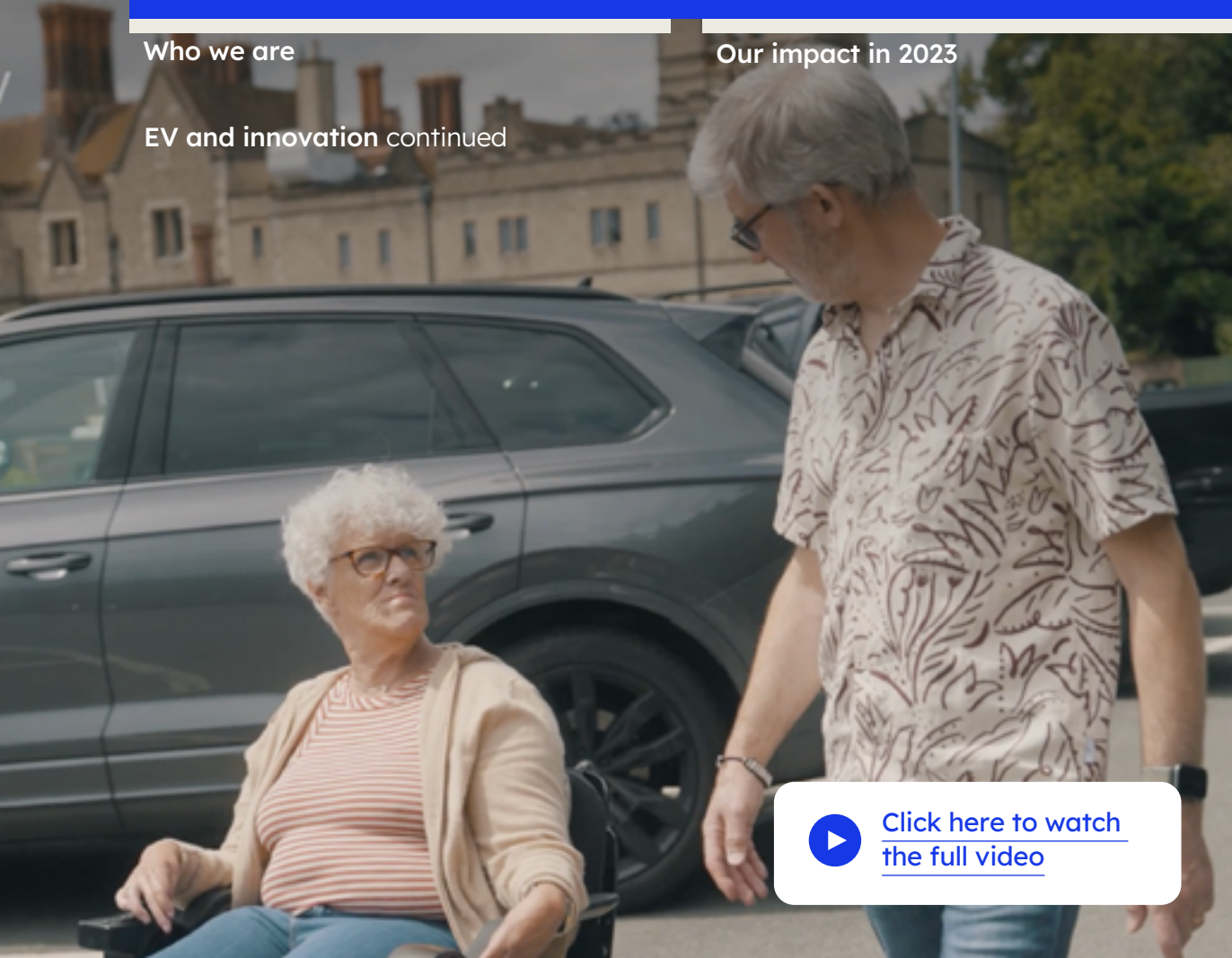
We work with leading car manufacturers across the globe to provide a wide choice of vehicle makes and models to our customers, because we believe that disabled people should have fair access to mobility.

We know that EVs are more expensive so that's why we are investing £300m to subsidise the cost of electric vehicles and make them more affordable for our customers. The launch of our latest price list has made leasing an EV on the Scheme even more affordable than ever before.

Whether our customers choose a standard or electric vehicle, our main priority is that they choose the vehicle that is right for them. We are continually increasing the variety and volume of cars we offer, with longer ranges, to enable that choice. We want to give them as much information as possible so they can make an informed decision as to whether they are ready to transition to EV.



EV and innovation continued

[Click here to watch the full video](#)

## Making EVs more accessible

Charlie has been on the Motability Scheme for several years. A mum of two and grandmother of four, Charlie made the switch to electric two years ago and is now on her second EV. She particularly likes the cruise control, light steering and the lane assist system that monitors the car's road positioning. The Motability Scheme also enabled Charlie to adapt her car to fit her wheelchair in.

Charlie's EV has enabled her to travel all over the south of England for her job, as well as take her grandchildren out and enjoy an active social life.

"I applied for an electric vehicle because I like to do what I can to take care of the planet and it's cheaper to run. When my previous lease was up, I didn't take a lot of convincing to go electric!

"The Scheme is very efficient and everybody has always treated me with respect, taking into account what's important to me in a car. I'm so grateful for all the support I've had; everyone has just been super."

### Innovating for the future of mobility

For us, everything starts with the customer. That's why we're actively working with them to find smart, innovative solutions that work.

Our Innovation team is busy collaborating with innovators and partners to ensure that our customers can choose the most accessible products and services.

### Working with innovators

We know that accessibility to transport is key for our customers, and this is no different as we transition our fleet to electric.

The EV industry is still emerging and, when speaking to organisations, local authorities and councils about where we see high populations of customers, we can influence the location and rollout of accessible chargepoints. But we also recognise that the way people get around is changing. Many different types of mobility are emerging on the market, and we want to be part of this. We are looking at Mobility as a Service (MaaS), which integrates various forms of transport-related services into a single, comprehensive and on-demand mobility service. This will ensure that the organisations building new mobility technologies are doing so with accessibility in mind.

**"We bring our scale and strong customer relationships to bear for the best solutions, supporting EV adoption for customers, when they are ready to make the switch."**

**Jonathan Jenkins, Head of Innovation**

### EV accessibility

Around 40% of our customers don't have off-street parking, and if they must rely on the public charging network infrastructure, it's essential that they have an accessible means to charge their vehicles.

We are constantly innovating and using our scale to influence partners. We are currently working with one local authority to trial a solution for our customers who do not have a driveway. This solution would enable the customer to have a cable in a designated parking space or under a pavement and link up a cable to their electricity meter. This is still in the early stages, but we hope to share more news in the coming months.

We have also collaborated with Cenex, a not-for-profit research technology organisation, which is focused on low emission transport and associated energy infrastructure.

We want to make sure that Motability Scheme customers are being considered as the network of EV chargers expands. Local authorities can use this available data to understand where the charging infrastructure needs to go and how to make it more accessible.

We work with innovative companies to find solutions and assess the potential opportunity and impact for our customers. Where we see these projects having success, we are looking to scale up the pilots and make changes that work to put accessibility at the heart of everything we do.



## EV and innovation continued

**Developing technology**

Our research shows that, chargepoint accessibility and costs are the biggest concerns in the switch to electric for our customers. We identified that paying for public charging is a pain point for our customers as every public chargepoint takes a pre-authorisation payment and they all use different apps and systems.

We want to make our customers' lives easier and find a solution that works for them. With that in mind, we have developed the Motability Go Charge card, powered by the Paua platform. The card allows customers to charge with no need to download multiple apps and they can use the card on over 65% of all rapid connectors in the UK.

We are working closely with industry and our customers to provide best possible access to charging on the go. The new accessibility standard for public EV charging points, PAS 1899:2022, provides detailed requirements and recommendations for the design of public EV charging infrastructure. This is a very useful tool but is not yet mandated, so alongside the work that the Motability Foundation is doing, we want to make sure that chargepoint providers are making their units accessible from the beginning. We are developing an app called Motability Go which will enable customers to leave real-time reviews of the charging network.

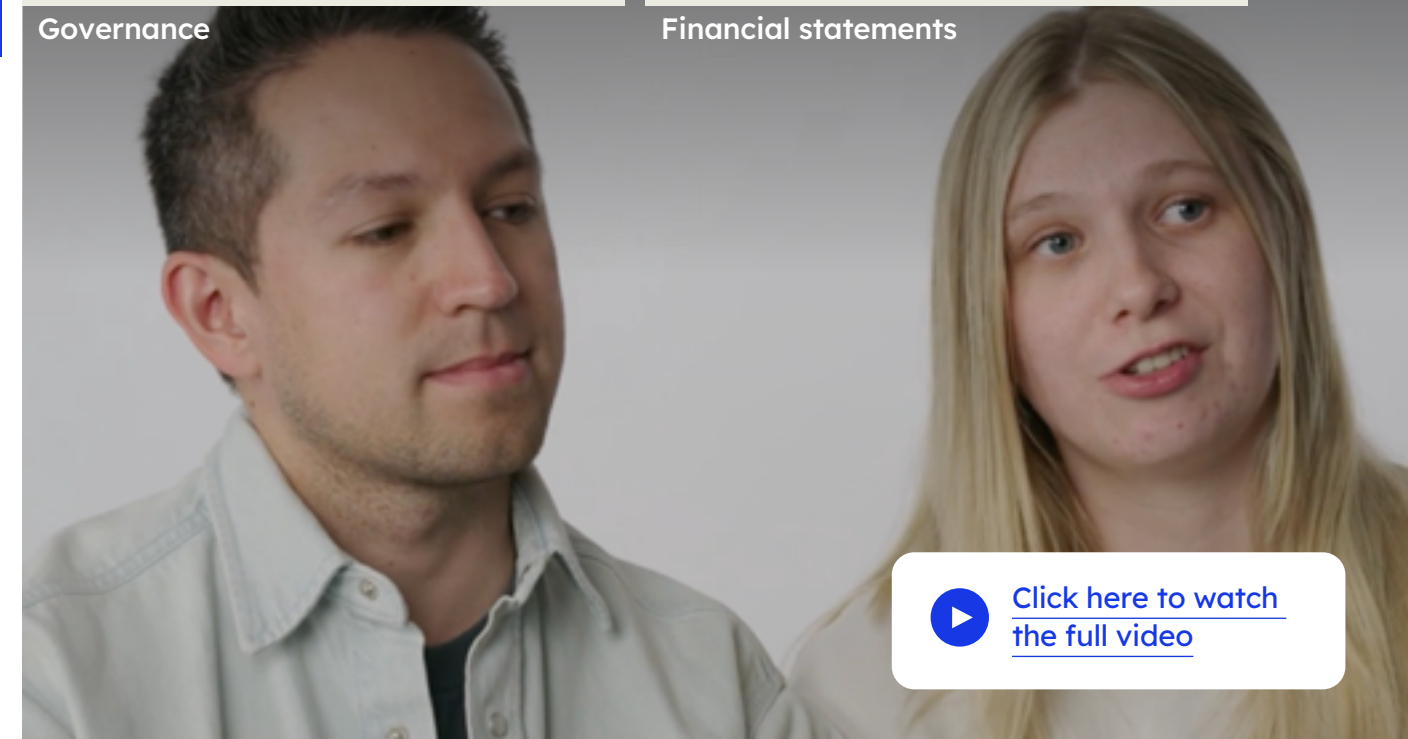
**Customer feedback**

We have a growing number of customers, around 6,000, in our Headlight Community, including EV drivers, who offer valuable feedback and provide us with regular, up-to-date research about their experience of the Scheme.

By continually working closely with our engaged and committed customer group, on real-world products, via video diaries, phone calls or surveys, we can gain a good understanding of how our services can be optimised and improved in the future.

“In our 45<sup>th</sup> year of delivering the Motability Scheme, we’ve been reflecting on our success but are also preparing for the future and ensuring we’re there for the next 45 years. With our continued innovation, we’ll make sure we don’t leave our customers behind as the automotive industry goes through its biggest transition in history.”

**Jonathan Jenkins, Head of Innovation**



## Helping customers make the switch to EV

Motability Operations supports customers with their transition to electric vehicles, providing a wide range of affordable EV options and helping them to make fully informed choices when they are ready.

Megan no longer has to rely on her husband for things like shopping, so the independence her Motability Scheme electric vehicle has given her has been really important.

She found the Motability Scheme so easy to use: the insurance is covered, services are included and both our customer services teams and the Motability specialists in her dealership have provided her with great quality care and support.

“I use my Motability Scheme electric car for everything. It’s really valuable to me and I wouldn’t be able to get through my day-to-day life independently without it. I’ve actually done quite a few long journeys in my EV and I’ve learnt not to let the charge get below 25% which helps with the ‘range anxiety’! I’ve found there are more and more accessible charging stations being set up in the UK, and Motability helped us install a home chargepoint, which has been great.”



## WAVs

# Wheelchair Accessible Vehicles – WAVs

We understand who our customers are and their needs. We provide smart and bespoke solutions to keep them moving and nowhere is this more apparent than for our Wheelchair Accessible Vehicle (WAV) customers.

WAVs are a core component of our fleet, with their own unique engineering challenges. The equipment and the conversion costs make WAVs more expensive than other vehicles. Our scale allows us to heavily subsidise our WAV fleet, around 36,000 vehicles, and ensures we can make it as affordable as possible for our customers.

Our WAV customers often have the most advanced mobility requirements, and we know many of them would be housebound without the Scheme. So that's why it's so important that we invest in this area. This costs us around £70m a year and around 37% of our WAV customers also receive a grant funded by the Motability Foundation.

## Moving to electric

As we transition our fleet to electric, these engineering challenges become more difficult. To convert an electric vehicle into an eWAV, our suppliers have to make sure the position of the battery does not interfere with the lowered floor. At the moment, there is no solution to converting a standard electric vehicle into a small or medium eWAV and we are working with the industry to solve this problem.

It's vital that our customers are not left behind in the transition to electric and one of the ways we are trying to find a solution is our work with CALLUM, where we are aiming to create a prototype vehicle that we can present to the industry as best practice in the electric world.





We find solutions: customer story

# We find solutions

Tanvi has been a Motability Scheme customer for about 10 years, and she now drives a Wheelchair Accessible Vehicle (WAV). It gives her the freedom and independence to travel wherever and whenever she wants.

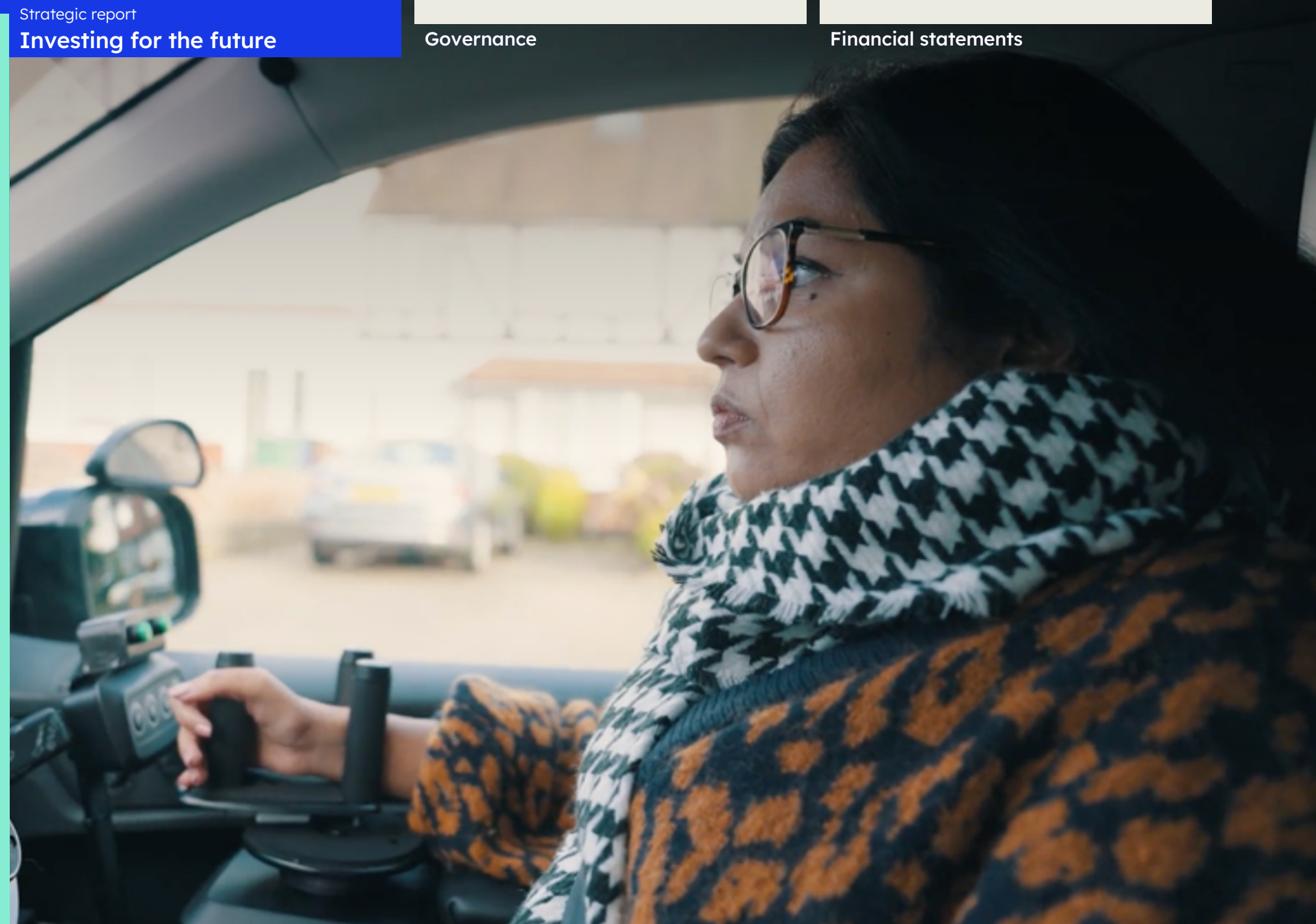
When Tanvi was considering a WAV for the first time, the size and access point of the vehicle were big considerations. The vehicle has several adaptations to meet Tanvi's needs, including an electronic ramp at the back. She can also secure her wheelchair independently into the driving position, via a docking system. The WAV is electronically operated and has been adapted with no steering wheel for ease of use.

“My vehicle gives me so much freedom: I can get out and about, see friends and go to work. It takes the worry out of motoring and gives me an element of control. When I'm driving, it levels the playing field — I am just like any other driver on the road.

“One of the main reasons for joining the Motability Scheme was to take away any stress and anxiety related to motoring. The only thing I have to think about is putting in fuel. When you're living with an impairment, you don't want extra worries. My experience of the Scheme has been brilliant so far and everybody has been really supportive, from initial interactions, through to finding a suitable vehicle.”



[Click here to watch the full video](#)



“My vehicle gives me so much freedom...my experience of the Scheme has been brilliant.”

Tanvi



# ESG overview

We are a purpose-led business that exists to deliver smart, sustainable solutions that improve our customers' mobility in a fast-changing world.

## Our impact and sustainability

Through the Motability Scheme, we provide over 700,000 vehicles to our customers across the UK. The Scheme provides an affordable way to lease a vehicle with insurance, breakdown and servicing all included and gives them the means to access work, education, friends and family. Our customers are at the heart of everything we do and ensuring the Scheme can be sustained for the future is one of our top priorities.

This year, 99.9% of our emissions fell under Scope 3, indirect emissions. That's why our strategic focus is supporting our customers to make the switch to an EV. We're investing significantly in the transition and removing barriers to adoption for our customers like affordability, choice and charging. In 2021, we committed £300m to supporting the affordability of EVs. Since the first EV was offered on the Scheme in 2013, we have greatly increased the number available and continue to work with manufacturers to secure a wide range of makes and models. To date, we have invested over £130m of the £300m to support affordability. We cover the cost of installation of a home chargepoint, and offer all car and WAV customers a New Vehicle Payment of £750 to support affordability.

## Collaborations drive change

Transitioning our fleet to zero-emission mobility solutions can only be achieved if we work with our partners, the automotive industry and local authorities. We're partnering with start ups to address barriers like access to public charging and payment solutions. We're working to identify the barriers our customers face in order to develop and test solutions. Our Innovation team, is conducting pilots to get feedback from our customers so that we can progress solutions that work for them.

## Integrating ESG into business strategy

We're making sure that ESG is part of everything we do at Motability Operations. That's why we've created a sustainability strategy that integrates with our strategic pillars, to keep delivering brilliantly, to lean into green and to find solutions. When we talk about ESG internally, we've created the 3 P's:

- Our Planet – take the action required to cut our emissions and reduce global warming
- Our People – re-balance outcomes for our customers, our employees, and the communities in which we operate
- Our Principles – find new and exciting products for our customers, ensuring the long-term sustainability of the Scheme

We're also introducing a circular economy approach to assess our business processes and practices. This will ensure we challenge ourselves to improve wherever possible and work collaboratively with our partners to drive change. Our circular economy model is based on four R's: Reduce, Reuse, Recycle and, most importantly, Rethink. We consider these at both a local and global level.

[For more details on the development of our sustainability strategy please see our latest Impact Report](#)

## Our ESG strategy



### Our Planet

Live within our boundaries



### Our People

Committing to equitable outcomes



### Our Principles

Demanding responsible conduct



ESG overview continued

## Responsible business

Transitioning those customers, who can, to an electric vehicle (EV) will have a huge impact on the environment. We're also looking at how to reduce emissions from our central operations which fall under Scope 1 and Scope 2 of our carbon footprint. Following the acquisition of our vehicle refurbishment site at Coalville, we're able to oversee and improve the emissions generated. We plan to redevelop this site in 2024 to align to our sustainability practices.

[Read more about how we're addressing our Scope 1 and Scope 2 carbon footprint in our Impact report](#)

Through our charitable donations to the Motability Foundation, we support their mission to make all journeys accessible. Our donation enables them to provide support for disabled people through initiatives like Family Fund, grants for WAVs and research into accessible transport.

## Wider impact of the Scheme

Our research and customer satisfaction surveys show the social impact the Motability Scheme has on our customers' lives. An independent Oxford Economics survey estimated the social benefit of the Scheme to the UK economy to be worth £8.5bn. Through their lease, our customers' mobility was improved, allowing them better access to employment opportunities and higher pay, resulting in improved wellbeing.

## Oversight and governance

The oversight and governance for our sustainability strategy is delivered by our Impact and Sustainability Committee (ISC), which is a sub-committee of our Executive Committee. The ISC is comprised of senior representatives from across Motability Operations and is overseen by the Chief Finance Officer, who has the executive responsibility for impact, sustainability and ESG.

We have also established the Impact & Sustainability champions group, made up of employee volunteers who are responsible for the generation and implementation of sustainability activity and engagement across the organisation.



## Setting verified targets

This year, our near-term science-based targets (SBTs) were verified by the Science-Based Targets Initiative (SBTi), setting out our trajectory to 2032. Setting our SBTs gives us clear and challenging milestones in our journey to reduce our emissions. We have also signalled our intent to submit long-term net zero targets to the SBTi with our ambition to become net zero no later than 2050. The SBTs agreed with the SBTi are a 50.4% reduction in our scope 1 and 2 emissions and a 58.1% reduction in our Scope 3 emissions on a per vehicle basis by 2032. We're formulating the metrics and KPIs required to track and monitor our progress and are introducing centralised processes that monitor performance against a defined risk appetite. To hold us accountable at the very top level, two of the five performance targets set for executive remuneration relate to ESG – EV and employee engagement.

We are very proud to have retained a 'B' rating following our latest submission to the Carbon Disclosure Project (CDP). Achieving a 'B' recognises the considerable progress we have made as a business to ensure that climate-related risks and opportunities are embedded into our strategy.

## B Corp certification

One key collaboration for positive future outcomes is our goal to achieve B Corp certification. Certification requires businesses to show they have an absolute commitment to meeting the very highest of standards. To us, B Corp reinforces our strong purpose and proves that our values are more than just words, and that our approach, commitments and strategy are aligned with some of the best companies in the world.

The B Corp impact assessment framework sets an ambitious and challenging benchmark for us and will hold us accountable for our actions, verify our achievements, signpost our direction of travel and encourage us to focus on our purpose as a business for good. We're excited to work with the wider B Corp community, sharing and learning from best practice and adopting the ethos of being a 'force for good'.

[Read more about our progress, ambitions and detailed targets in our Impact Report.](#)



## ESG overview continued

## Delivering sustainability

Our latest Impact Report sets out our intentions to continue driving our sustainability agenda forward. Over the past year, we have worked to foster a culture with ESG embedded in everything we do. We have worked hard to ensure ESG is more than just an agenda item for senior leaders, and we are clear on how embedding ESG will help shape our business.

It's critical that we bring our people at all levels on the journey with us. In 2023, we conducted our first ever materiality assessment with all our key stakeholders. The results of which have been used to formulate our aspirational goals.

The aspirational goals are aligned to both our business strategy and the 3 P's we use internally: Our Planet, Our People and Our Principles.

### Our Planet

We are making significant strides to ensure that we are reducing our impact on the environment through a range of actions including supporting our customers to transition to electric, using our offices more consciously, and pledging our commitment to clear reduction targets. We are taking a Reduce, Reuse, Recycle, Rethink approach to all aspects of our business that contribute to our carbon footprint. We have defined our near-term SBTs to 2032, to ensure our emissions reductions are targeting a net zero position by 2050 at the latest. We have formalised supporting customers to seamlessly transition to EV as part of our aspirational goals.

### Our People

It's important to us that we have a positive impact on our people, customers, partners, stakeholders and the society in which we operate. Ensuring customers are supported in their transition to electric is a key business priority.

Our employees are vital to delivering the Scheme and we are proud to be recognised within the Willis Towers Watson High-Performing Organisations group, with employees scoring their engagement at 9.2 out of 10. We are working hard to drive equity, diversity and inclusion (EDI) across the business. The trust our employees have in the business is demonstrated through excellent disclosure rates. In addition, we regularly publish our pay gap report which now includes pay gaps split by disability, ethnicity and LGBTQ+.

We have redefined our EDI strategy to further improve our representation, and formalised this as part of our Executive and aspirational goals.

## Our Principles

We believe in 'profit for purpose' and strong governance to drive change in the way the business and the Motability Scheme operates. The size and scale of our fleet represent both opportunities and challenges that we are looking to overcome. We recognise that as a large car fleet, we must manage our impact through finding innovative solutions that reduce our carbon footprint.

Our Impact and Sustainability Committee (ISC), which regularly reports to the Executive, is made up of senior representatives from across the business and is overseen by the Chief Finance Officer, who has specific responsibility for impact, sustainability and ESG. The ISC is supported by a network of Impact and Sustainability Champions that represent all areas of the business. The champions provide the voice and views from the organisation as well as leading on initiatives and activities that enhance our approach to reducing our impact and ensuring long-term sustainability.

We need to ensure the Scheme is sustainable in the long-term so we can be here for our customers. Our principles are geared towards supporting our customers and ensuring the Scheme can demonstrate tangible and measurable improvements in our impact and long-term sustainability.

[Read more about our materiality assessment and aspirational goals in our Impact Report](#)



**9.6 out of 10**  
Overall customer trust



**£8.5bn**  
Social benefit of the Scheme to the UK economy



**9.2 out of 10**  
Average employee engagement score recorded in our 2023 employee survey



**B rating**  
Retained from CDP



# Our dynamic and robust approach

At Motability Operations, we recognise that sound risk management is fundamental to the successful and sustainable operation of the business.

It is a core commitment that our approach protects the interests of customers and seeks to ensure that risks are managed sufficiently to avoid financial, reputational and operational shocks to the business.

Our risk management framework is enshrined within our day-to-day activities and our governance framework, which is overseen and managed by our Risk Management Committee (RMC).

We have a director with specific responsibility for risk, as well as a dedicated Risk Management function. The business's appetite for risk is managed through a comprehensive Risk Appetite Framework. The Risk Management function is predicated on a dynamic business partnering approach, supporting the business with identification of risks and opportunities, control reviews, risk awareness and enhancing Motability Operations' approach to enterprise risk management (ERM).

The challenges the business faces have become more complex. The risk landscape is changing, fuelled by the rapid pace of change, globalisation, industry and economic challenges and increasing regulation. To support this, the Business Risk team has evolved its approach to focus on the wider landscape of emerging risks and forward-thinking analysis of external threats and opportunities. This ensures ERM is embedded within business strategy and transition, facilitated through a business partnering approach.

Our new and dynamic emerging risk and opportunity (ERO) framework identifies key areas of risk that could impact the Company's ability to execute its strategy. These areas are closely monitored using a variety of techniques, such as horizon scanning.

The ERO framework is reviewed monthly by the Risk Management Committee (RMC) and quarterly by the Executive team. Early identification of emerging risks and opportunities is a key element of our ERM approach.

We make certain that, through our policies, approach and activities, we meet standards of behaviour that fall within boundaries that are consistent with our agreed level of risk appetite.

We have designed our risk management framework around the 'three lines model' for risk governance.

## Risk identification and monitoring

Consistent with the three lines model, we have a dedicated Risk Management function that is integral to coordinating, monitoring and advising on control activities.

This holistic approach encompasses all material risks, with clearly identified accountabilities and responsibilities for risk management, control and assurance. As such, risk management is incorporated as a core part of effective business planning and capital management. The responsibility for managing the risks and control activities sits firmly within the first line responsibilities.

We regularly review our risk management framework to ensure that it remains appropriate to the business and its strategy. These updates include regular assessments of risks and controls, including the update of risk registers, and early identification of any emerging risks to the achievement of our stated objectives.

The framework is designed to identify and mitigate risks to the business and its operation, which has been proven through yet another challenging year, with new car supply chains significantly impacted by the global semi-conductor shortage, raw material availability and rising costs, exacerbated by the Russia and Ukraine conflict.

In line with the business strategy for 'Lean into green', we have enhanced risk management and support, to ensure the business remains focused on risk and controls through strategic change and transition activity, with transformation included within the principal risks.

**The Business Risk team has evolved its approach to focus on the wider landscape of emerging risks and forward-thinking analysis of external threats and opportunities.**



# Risk management framework

We have designed our risk management framework around the ‘three lines model’ for risk governance.



- Controls designed into processes and procedures
- Control Self-Assessments and control action plans
- Project risk identification and management processes
- Executive Risk Assessments



- Risk department activities
- Policies and procedures, e.g. Authorities Manual
- Executives and Senior Leaders have clear personal and functional accountability for identifying and managing risk
- Company Performance Report and KPIs
- Activities of the Board and Committees
- Revised Risk Management Committee – re-focused on ERM and emerging risks



- Follow-up of agreed recommendations against implementation deadlines and subsequent reporting
- Internal Audit reviews



Risk continued

# Principal risks

Key



## 1. Residual values risk

Net impact\*

Net likelihood\*

Risk status

We provide our customers with a fixed price over their lease term, predominantly covering a three-year period; this underpins our most significant risk as we underwrite the exposure to unforeseen and material movement in the market value of second-hand vehicles.

Total residual value risk is measured as the difference between the forecast values used for pricing and the net proceeds we ultimately realise on disposal.

Change to risk status

- Increased risk status due to the continued uncertainty within new car supply chains. The UK used car market has seen strong performance on price, as new car availability continues to be impacted by the semi-conductor shortage

Potential impact

- Volatility in profitability, reserves and pricing
- Potential impact on affordability and choice

How we mitigate

- Sophisticated in-house residual value setting and forecasting process
- Risk capital management for asset risk using Economic Capital principles
- Market-leading remarketing approach

Link to strategy

- The setting of residual values is one of our core competencies. Our strategic approach ensures that we invest appropriately to maintain a market-leading capability (in terms of people, methodology and technology)

## 2. Insurance risk

Net impact\*

Net likelihood\*

Risk status

Insurance is the second biggest risk we face, and because we fix this cost for our customers for between three and five years (depending on lease length), our exposure is larger than is typical in the market.

Change to risk status

- An established reinsurance captive, managed through a wholly owned subsidiary (MORL), continues to deliver a robust and cost-effective insurance solution
- A move to a new insurance provider, Direct Line Group, took place in September
- Financial impact of claims exceeding priced expectations
- Failure of a reinsurer could transfer risk back to Motability Operations
- Potential operational, financial and reputational risk

How we mitigate

- Conservatively placed reinsurance programme effectively limits the Group’s net risk
- Risk capital in place to cover net risk
- Access to extensive expertise
- Diversification of supply across highly rated reinsurers

Link to strategy

- Our insurance arrangement has been carefully designed to ensure that the structure delivers value for customers and is sustainable into the long term
- Transition to new insurance provider managed by a dedicated Executive Director and project team which will drive long-term benefits for the Scheme and its customers

\* Net assessment incorporates mitigating controls.



Risk continued

### 3. Treasury risk

Net impact\*  


Net likelihood\*  


Risk status  


The availability of sustainable funding and liquidity is critical to our ongoing operation. Risks include those associated with exposure to interest and exchange rate movements, liquidity, funding, counterparty and operational risk.

Change to risk status

- Risk status is stable; we re-tendered our banking facilities in 2022, which included the introduction of a new sustainability linked loan with KPIs set against ESG performance
- Positive feedback received from credit rating agencies in relation to the robustness of our financial position
- Uncertainty around the UK economy and long-term effects of Brexit could impact the UK’s sovereign credit rating

Potential impact

- Volatility in funding costs, with knock-on effects on lease pricing, and lack of availability of growth or replacement funding

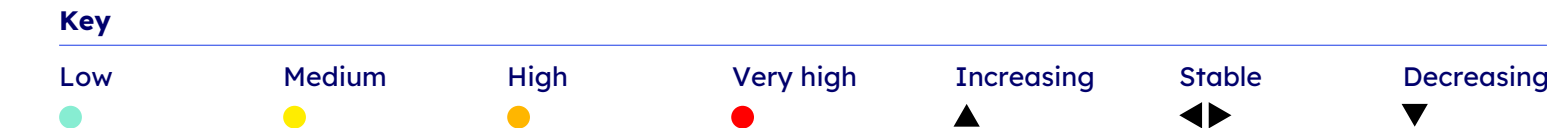
How we mitigate

- Majority of funding on fixed rates or fixed through interest rate and/or foreign currency swaps
- Balanced portfolio of funding maturities and diversification into bond market
- Maintenance of strong credit rating
- Robust treasury system, controls and governance

Link to strategy

- The strategic pillar of ensuring long-term sustainability guides our approach to determining treasury policy, which is designed to be ‘vanilla’ and risk-averse

\* Net assessment incorporates mitigating controls.



### 4. Credit risk

Net impact\*  


Net likelihood\*  


Risk status  


Customers assign their allowances to us, and this is paid directly from the DWP or Social Security Scotland. As a result, the credit risk is low. If the Government did transfer responsibility of payment to the customer, as with Housing Benefit under Universal Credit, Motability Operations could be exposed to significant credit risk.

Change to risk status

- Risk status remains stable. We have an excellent working relationship with the DWP and Social Security Scotland, both of whom are engaged in ensuring that our processes operate in an effective and efficient manner
- Payments made directly by customers in relation to additional charges equate to a smaller percentage of total credit billings

Potential impact

- Potential impact on cash inflows and consequent write-off to income statement

How we mitigate

- Principal income stream received directly from DWP or Social Security Scotland under contractual agreements, therefore minimal credit risk
- Residual credit risks are managed through credit assessments and an effective credit control function

Link to strategy

- The assignment of customers’ allowances directly to the Group is a fundamental strategic underpinning of the effective and efficient operation of the Scheme



Risk continued

## 5. Operational risk

Net impact\*

Net likelihood\*

Risk status

The efficiency of our business is key to delivering excellent customer service and also ensuring we maximise and protect the value of our assets.

### Change to risk status

- Stable risk status noted, following a period of considerable operational challenges, driven primarily by the Covid-19 pandemic
- Company strategy has identified key areas of focus and investment, including supporting the transition to electric vehicles
- Development of the business model and strategic initiatives consider future risks and improvements to processes and controls
- Delivery of a new telephony platform has increased resilience and reliability of this primary service

### Potential impact

- Potential operational, financial and reputational risk
- Risk of business disruption

### How we mitigate

- Robust control environment
- Active monitoring and testing of business continuity and disaster recovery plans
- Focus and investment in IT infrastructure providing a stable and resilient operating platform
- Controlled and governed processes to support business change activity

### Link to strategy

- We ensure that we make appropriate strategic investments in our infrastructure, systems and processes

\* Net assessment incorporates mitigating controls.



## 6. Cyber risk and information security

Net impact\*

Net likelihood\*

Risk status

Cyber risk and information security are key priorities for the business. We have a sophisticated, layered approach to IT security and have implemented enhanced controls. We continue to monitor the ever-changing nature of the external threats faced and have established controls and an ongoing programme of development in this area.

### Change to risk status

- The increased risk status is linked to continuing threats faced by all companies and the increase in attacks across the UK, in particular ransomware
- Evolution of online customer accounts and services has increased our digital footprint
- Motability Operations is increasingly exposed to cyber risk via third-party associations and system connectivity

### Potential impact

- Potential impacts to customer and stakeholder confidence
- Potential financial and reputational risk
- Risk of business disruption

### How we mitigate

- Information security framework aligned to best practice and industry standards
- Dedicated security operations model in place to monitor threats 24/7
- Designated Data Protection Officer
- Ongoing employee awareness programme
- Third-party cyber monitoring processes and procedures
- Cyber Insurance and Incident Response plan in place and regularly reviewed
- Cyber response exercises performed with the Executive team and operational teams as part of ongoing assurance activity

### Link to strategy

- Customer confidence in the Scheme underpins our strategy
- The strategic pillar of ensuring long-term sustainability ensures compliance with key regulation



Risk continued

## 7. Supplier failure risk

Net impact\*

Net likelihood\*

Risk status

Our core product offering is delivered through contracts with key suppliers who provide the vehicles, the vehicle insurance services, roadside assistance, and tyre and windscreen replacement services. The failure of a key supplier would create difficulty for customers and potentially have significant financial implications as we seek alternative service providers.

### Change to risk status

- Increasing risk status due to supply chain challenges and inflationary pressures
- Appropriate due diligence processes are in place to ensure that we continue to engage with partners and suppliers on a commercial and sustainable basis

### Potential impact

- Compromised customer service provision and potential financial impact of securing an alternative supplier
- In case of a manufacturer failure, likely impairment of residual values and threatened availability of parts and warranties

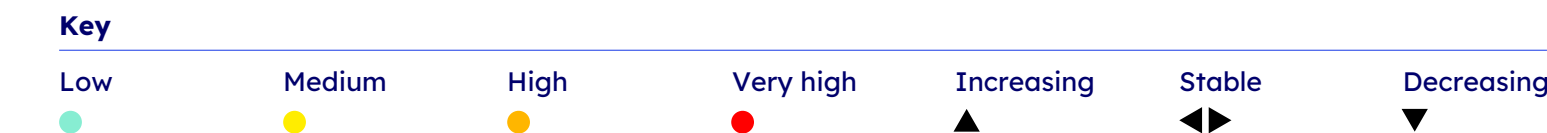
### How we mitigate

- Strong supplier relationships and communication
- Active monitoring of performance, credit ratings and market announcements
- Diversification of supply
- Diversified portfolio

### Link to strategy

- Through our annual strategic review, we assess the performance and stability of all main Scheme suppliers, including contingency planning in the event of a major failure

\* Net assessment incorporates mitigating controls.



## 8. Business continuity risk

Net impact\*

Net likelihood\*

Risk status

Business operations are reliant upon people, and the systems and activities performed by our employees, in conjunction with our key suppliers and partners. Any major and sustained disruption to these business activities caused by fire, flood, extreme weather, contamination, business systems, telecommunication or a natural or physical disaster such as a pandemic could have a significant impact on the customers and the wider business objectives.

### Change to risk status

- The business could face risks linked to the financial and reputational impact of business disruption and the increase in extreme events such as the pandemic and extreme weather events
- High levels of global inflation and energy challenges could lead to reductions in operating hours and production close-down for suppliers
- Incident management focus places emphasis on operational resilience and remediation, rather than treating incidents in isolation

### Potential impact

- The impact of a continuity event could have severe operational, financial and reputational effects on our ability to operate the Scheme

### How we mitigate

- Well-established continuity response plans including homeworking, system resilience and disaster recovery
- Dedicated cross-functional Business Continuity Committee in place
- Controlled and governed process changes to support the business through continuity events, including dedicated business continuity application
- Rolling programme of assurance and testing activity managed through a cross-functional working group

### Link to strategy

- Investment in our infrastructure ensures the effective and efficient operation of the Scheme and long-term sustainability in providing excellent customer service



Risk continued



## 9. Climate risk

Net impact\*

Net likelihood\*

Risk status

Climate change and sustainability are key issues for UK businesses. We could experience losses and/or reputational damage because of climate change and UK Government regulation to stop production of petrol and diesel vehicles by 2035. This could be directly, through a reduction in our customers, where an EV may not be practical or suit their mobility, or through third-party engagements. In addition, impacts could be seen through an increase in the economic disruption from extreme weather events, such as flooding.

### Change to risk status

- Increased political and social focus on climate change presents a significant opportunity
- We continue to take a proactive approach to managing the CO<sub>2</sub> emissions agenda
- Customer transition to EV is reliant upon many factors such as vehicle suitability, price and charging infrastructure
- Investment and support for customers transitioning to EV
- New Impact and Sustainability Committee established to ensure that Motability Operations' I & S strategy is agreed and implemented

### Potential impact

- Potential financial and reputational risk
- Customer appetite or suitability of the EV proposition could lead to a loss of customers or a reduction in fleet size
- Risk of business disruption
- Volatility in funding costs, with knock-on effects on lease pricing, and lack of availability of growth or replacement funding

### How we mitigate

- Our strategy process has identified key areas of focus, including the transition to EVs; they will underpin the Scheme proposition over the long term
- Dedicated team responsible for developing innovation activity to support customers' understanding and transition to EVs
- We established working groups to look at charging tariffs to ensure customers get value for money, as well as considering the wider green agenda
- We have expanded our network of charging partners and support the installation of charging points for our customers
- Enhanced customer information and support on transition to EV on the Scheme website

### Link to strategy

- The Lean into green strategy will underpin the strategic approach and initiatives that will support the development of the long-term customer proposition
- Fulfilling unmet needs is a core component of the strategy, which includes exploring new products and services
- Motability Operations published its first Sustainability Report in December 2022

\* Net assessment incorporates mitigating controls.

Risk continued

## 10. People risk

Net impact\*

Net likelihood\*

Risk status

Loss of highly skilled employees and/or the inability to develop, retain or attract skilled employees to support operations and growth activity.

### Change to risk status

- Stable risk status noted
- Employees continue to face challenges, including cost of living, levels of inflation and a challenging recruitment market
- Loss of key employees/leaders may have an adverse impact on operational delivery and decision-making through the loss of skills, capability and corporate knowledge

### Potential impact

- Potential operational risk
- Delays to project and strategic activity
- Could lead to failure to deliver Scheme KPIs

### How we mitigate

- Business transitioned to hybrid working post-Covid, offering greater flexibility
- Remuneration Committee oversees pay and benefits packages with market benchmarking
- Diversity and inclusion and gender pay gap reviewed with defined action plans
- Ethnicity, Diversity and Inclusion Committee established, reporting to the Executive team
- Training and support delivered for employees in supporting mental health and wellbeing

### Link to strategy

- Delivery of the operational and strategic activity is dependent on highly skilled people

### Key

Low

Medium

High

Very high

Increasing

Stable

Decreasing

## 11. Transformation risk

Net impact\*

Net likelihood\*

Risk status

Failure to effectively manage and deliver strategic projects could result in lost or missed opportunities and ultimately cause customer dissatisfaction, defection or the inability to attract new customers.

### Change to risk status

- Digital transformation continues to accelerate through the evolution of our online customer account
- Company strategy identifies key areas of focus that underpin the long-term Scheme proposition, for example, EV charging network

### Potential impact

- Potential risk to customers, operations, business reputation and financial position
- Supplier risk heightened as new strategic partnerships are developed
- Loss of revenue and the inability to attract new customers

### How we mitigate

- Executive Director with responsibility for innovation and transformation
- Strengthened project management office and transformation governance
- Dedicated team responsible for developing innovation activity
- Clearly defined strategic initiatives agreed at Board level
- Development of strategic risk management framework
- Regular horizon scanning to determine emerging external risks

### Link to strategy

- Clearly defined strategic initiatives ensure transformation activity delivers outstanding value and services to customers

\* Net assessment incorporates mitigating controls.



Risk continued

## Capital adequacy and Economic Capital

Although the Group is not regulated for capital purposes, our approach to balance sheet management aligns with best practice, with the overarching objective being to ensure that we have the financial resilience to withstand economic turbulence, without compromising the customer offering. The Group holds capital in the form of ‘restricted reserves’ to provide the necessary financial shock-absorber against the majority of unexpected loss to ensure sustainability into the long term.

The Group uses Economic Capital (EC) principles to determine the appropriate level of capital.

The EC process involves undertaking a comprehensive assessment of the material risks and evaluated potential impacts the Group faces given its core activities. This enables us to determine an appropriate level of capital required to protect the Scheme from potential shock events.

The EC approach encompasses all material risks and the ability to recover from a shock, delivering an outcome that management views as reasonable and prudent in the context of the impact that failure of the Scheme would have on our customer base.

We undertake an annual review of our Economic Capital requirement and the key underlying assumptions inclusive of new or emerging Company-specific or wider environmental factors, which are considered to have a bearing on the Group’s capital requirements.

In line with National Audit Office (NAO) recommendations, in 2018, Motability, the Charity, initiated an external review from Oliver Wyman, to examine our capital modelling methodology, our applied risk appetite and confidence levels, and to benchmark our capital reserves levels against near-comparable companies. The review confirmed the appropriateness of Motability Operations’ Economic Capital approach and supported the Group’s application of a 99.99% confidence level (or one in ten thousand loss event), given Motability Operations’ unique risk profile. There were some future recommendations which were addressed by MO in 2020.

Motability commissioned Oliver Wyman to undertake an independent follow-up review, which was published in 2021, noting the “improved quality of the economic capital framework and that all material changes are sound” and that Motability Operations’ assessment of capital is “within a range of justifiable outcomes”. Motability Operations remains committed to ensuring the ongoing development and refinement of the Economic Capital approach and methodology.

## Calculating the Economic Capital requirement

Where applicable, we use our own data, experience and independently reviewed statistical models to calculate the EC requirement to a 99.99% confidence interval. We adopt a scenario-based modelling approach with management judgement for the remaining risks.

The selected confidence level is more prudent than the minimum requirements in certain regulatory environments (Basel III at 99.9%; Solvency II at 99.5%). However, we have maintained a consistent and transparent approach to capital management and have regularly sought independent review to validate our approach, which reflects a limited capacity to raise new capital or readily take actions to de-risk or diversify.

Our approach to calculating Economic Capital allows for diversification across all risks, leading to a 28% reduction in our risk assessment for 2023. This is in addition to the diversification impacts within the different risks themselves. Post-diversification, the EC requirement, as assessed through modelling, stands at £2.35bn.

Having defined the EC requirement, our policy is to maintain a buffer that provides an appropriate contingency to this minimum capital requirement and protects customer pricing for pipeline applications.

At the financial year end, the Group’s closing capital position (represented by restricted reserves on the balance sheet of £4.4bn) was considered by the Executive team to be sufficient and appropriate, given the current and emerging potential risks faced by the Scheme.

The largest risk that Motability Operations is exposed to is the unforeseen and material movement in the value of used cars, which remain unexpectedly high.

## Forecasting residual values

An estimated residual fleet value of £10.2bn means that even a 1% error in our forecast equates to a £101.9m financial exposure for MO. To provide some market context, following the 2008 Financial Crisis used car values had fallen by -22%, whereas following the 2021 supply-side shortages caused by the Covid-19 values had risen by 31% year on year in 2022.

We seek to recruit and retain the expertise to develop our processes, supported by leading third-party experts. We combine econometric modelling techniques with car industry expertise with our aim to ensure that customer pricing is based on a fair and reasonable assessment of future market values.

In 2019, an end-to-end assessment by Cambridge Econometrics provided objective assurance of our forecast process, stating “MO’s forecasting approach uses sophisticated techniques, is robust, fit-for-purpose and aligns to forecasting best practice”. Whilst they confirmed there was “no evidence of systematic bias that results in either under- or over-forecasting”, the review did highlight some minor recommendations that Motability Operations implemented over 2020.

Cambridge Econometrics has subsequently validated that the recommendations have been completed, stating “we have found sufficient evidence to conclude that our recommendations have been addressed and are satisfied with Motability Operations’ approach in interpreting them”. Whilst the level of uncertainty is a challenge for all forecasters working with a long forecast horizon (over three years), we have a strong track record of outperforming alternative market benchmarks.

Risk continued

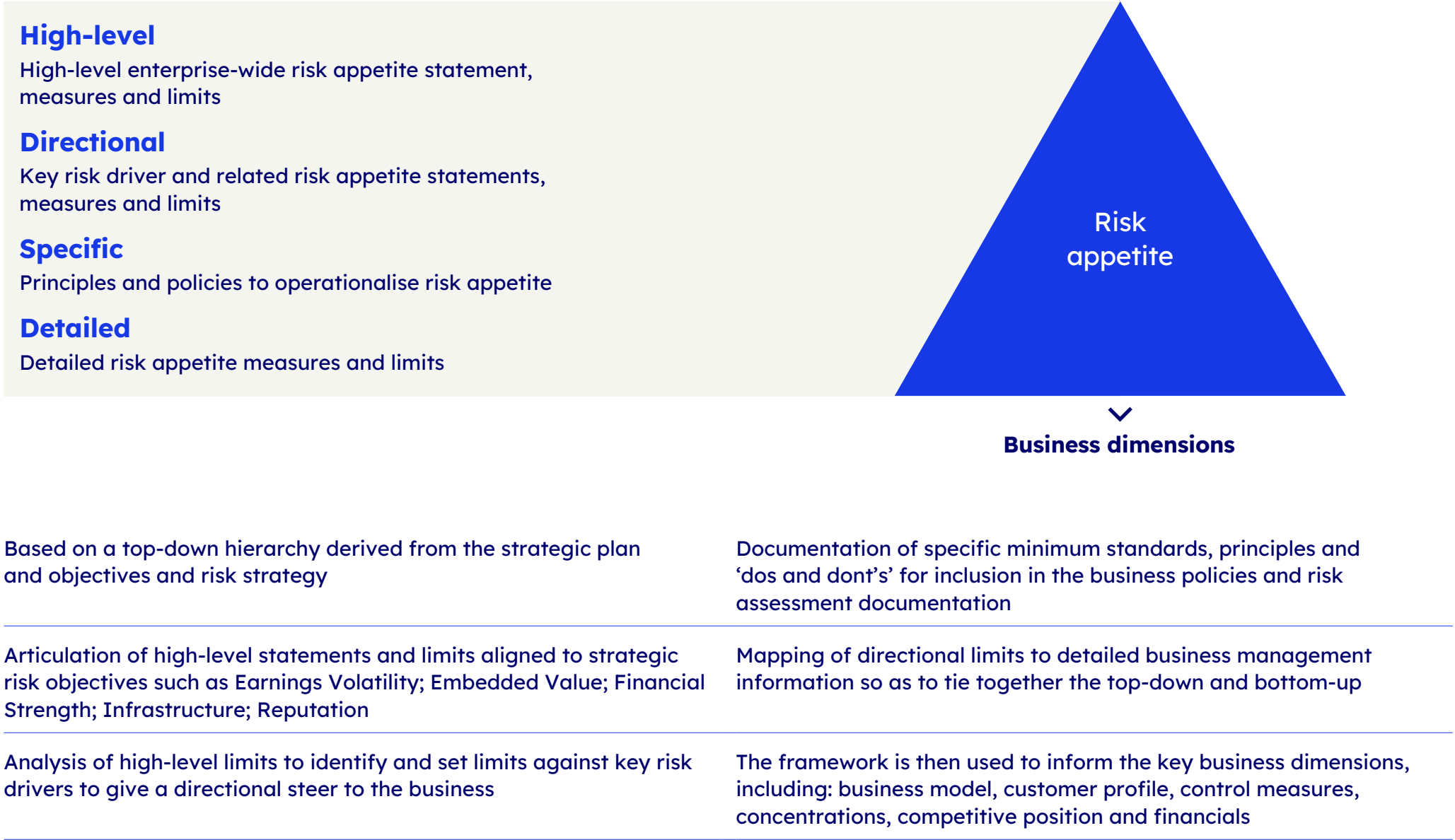
# Risk Appetite Framework

The challenges the business faces are becoming more complex. The risk landscape is changing, fuelled by the rapid pace of change, globalisation, industry challenges and increasing regulation. The expansion of the Business Risk team has enabled a greater focus on the wider landscape of emerging risks and forward-thinking analysis of external threats and opportunities. The use of a clearly defined Risk Appetite Framework (RAF) and formalised risk reporting remains central.

This framework builds on our strong risk management culture and aligns our strategic planning and risk management activities. The RAF captures the business’s risk appetite against all key risk components and leverages our governance culture to provide an alert system against the set appetite levels, which now includes over 160 risk metrics.

Our risk appetite is reviewed and set by the Executive team on at least an annual basis, utilising information from strategic planning, risk management activity and business objectives.

The comprehensive Risk Appetite Framework ensures that there is a clear linkage between our strategic planning, business model, performance monitoring and risk management activities.





## Viability statement

# Viability statement

Whilst the Company is not required to comply with the 2018 UK Corporate Governance Code, the Executive team has voluntarily considered provision 31 as if it applied, and has assessed the prospects of the Company over a longer period than the 12 months required by the ‘Going Concern’ provision. The Executive team has assessed Motability Operations Group plc’s viability over a three-year period to September 2026.

A three-year period is considered to be an appropriate period for the viability review for the following reasons:

- 98% of customers take up a three-year lease product and, given the Group’s objective of providing sustainability and affordability to customers, it is appropriate to assess the Company’s viability across a period in which existing contractual obligations to customers can be fulfilled; and
- Linked to this, over 95% of the Group’s existing residual value risk will unwind across this same time period.

This assessment has been made taking account of the current position of the Group, its core three-year lease product, corporate planning process and the Group’s key risks and risk appetite, as detailed in the Risk report on pages 40-49.

In making its assessment, the Executive team took account of the Group’s current financial and operational positions, as well as broader external risks and uncertainties that may impact the operation.

The financial assessment focused on capital adequacy and liquidity under a range of stress scenarios, such as delayed/failed bond issuance and varying levels of fleet volume. The review includes a specific assessment of severe but plausible reductions in residual values related to economic impacts from significant additional waves of Covid-19 infection, and/or the UK’s economic recovery post-pandemic.

As detailed in the Chief Finance Officer’s review on pages 14-18, the Group’s closing financial position reflects capital reserves of £3.8bn, which provides headroom above the policy position (to hold capital at 99.99% confidence, plus buffer).

From an operational perspective, stress scenarios test the Group’s ability to continue to provide affordable leases and consistent service levels across a three-year period. These financial and operational reviews provide the Executive team with appropriate confidence in making this viability statement.

The Executive team also assessed the Group’s ability to meet its outstanding bond and bank debt liabilities:

- The Group will be required to repay 3 bonds in the next 3 years March 2025 (€500m), January 2026 (€600m) and July 2026 (£300m). The Executive team assessed that the Group has access to sufficient liquidity to make this repayment from existing cash balances, cash and funding and/or its committed bank credit facilities of £1.5bn, in the event that refinancing in the debt capital markets is not viable
- Whilst it is noted that the longer-term nature of these obligations can extend significantly beyond the three-year period adopted for this viability review, the Executive team is satisfied that lenders are not only provided with robust protection through the relevant documentation, but that the Group will have the resources to meet these obligations under the full range of stress scenarios referenced above

In making this statement, the Executive team has made the following key assumptions:

- Customers will continue to be treated fairly and enjoy worry-free motoring, including excellent support and service throughout the UK
- Motability Operations will continue to provide a broad selection of affordable vehicles that meet the needs of our customers
- Motability Operations will continue to generate a level of profitability that is adequate to protect the Scheme from economic shock, whilst also covering any growth in the capital requirement and protecting affordability of the price list
- Motability Operations will continue to minimise the impact of market volatility through maintaining a robust balance sheet and appropriate level of reserves
- Motability Operations will continue to minimise the impact of financial volatility through effective realisation and management of residual values
- Motability Operations will continue to maintain access to funding with sufficient headroom to meet its financing needs
- Motability Operations will continue to focus and invest appropriately in IT infrastructure to ensure that a stable and resilient operating platform is maintained
- Motability Operations will ensure that strategic activities are developed and align to the ‘Lean into green’ environmental objective to have a material positive impact on society and the environment

The Executive team therefore concludes that, based on the extent of the corporate planning process and strong financial position, there is a reasonable expectation that the Group has adequate resources and will continue to operate and meet its liabilities over the period of its assessment.



# Climate-related financial disclosure

We exist to deliver smart, sustainable solutions that improve our customers' mobility in a fast-changing world. At the same time, we recognise that transport is the most polluting sector in the UK and a major contributor to climate change.

## Future-proofing our business for the changing climate

As a purpose-led business, we have a huge opportunity – and responsibility – to create a positive impact on both the communities we serve and the environment we all depend on. Our fleet is one of the largest in the UK, and it is growing. So, we are determined to seek smart, sustainable solutions that lower our emissions and reduce our carbon footprint, in the transition towards a resilient, decarbonised future.

## Preparing for a low carbon future

We want to be as transparent as possible about what we have achieved and where we are headed. The first crucial step has been to calculate our full Scope 1, 2 and 3 footprints, identifying the main sources of those emissions to understand the action we need to take.

To help us define a clear decarbonisation pathway, we have submitted near-term (2032) science-based targets (SBT), which have been approved by the Science Based Targets Initiative (SBTi). We have also signalled our intent to submit long-term (2050) net zero targets to the SBTi. We are formulating metrics and KPIs to track our progress and have integrated climate-related risk identification into our wider business risk assessment processes.

Our work to support our customers as they transition to electric vehicles (EV) includes exploring cutting-edge technologies and services to address and/or remove barriers to adoption faced by our unique customer base.

## Climate-related financial disclosure compliance

We acknowledge that Motability Operations is required to meet climate-related financial disclosure requirements under the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022.

This is our first year of Climate-Related Financial Disclosure, although we believe we have already made good progress quantifying our risks and opportunities, laying the foundation for our sustainability strategy and planning. We have chosen to structure our disclosure in line with the four TCFD pillars, uniting with more than 3,800 global organisations in improving the quality, consistency, and transparency of climate-related financial disclosures.

Based on our initial climate risk assessment, we believe our current strategy is resilient to the impacts of climate change. We know that having an in-depth understanding of all of our climate-related risks and opportunities with quantification of the impacts is an iterative process that takes time. We recognise that this is a continuous journey and it will take time. Our next steps are to conduct a detailed qualitative and quantitative climate scenario analysis, to further align to the regulation requirements in future years.



## Climate-related financial disclosure continued

**Governance**

Climate change represents a significant risk to our business, our customers, our suppliers, and the communities where we live and work. It is vital we take action to limit the potential negative impacts, while also finding opportunities that are in line with our strategy.

To help us identify and manage climate-related issues effectively, we have a robust governance structure and process in place, as detailed in the diagram.

A monthly update is provided to the Executive Committee and updates are provided to the Board at least twice a year, with climate risk monitored and reported via the Risk Management Committee to the Executive and Audit Committees on a quarterly basis.

**Risk management**

The risk landscape is constantly evolving, influenced by factors like globalisation, industry-wide challenges and increasing and evolving regulation. We use the 'three lines model' with a dedicated Risk function, as outlined in our Risk Management section on page 40.

**Our approach to assessing risk**

We take a holistic approach that encompasses all material risks, with clearly identified accountabilities and responsibilities for risk management, control and assurance.

Risks are identified using our emerging risk and opportunity risk framework, which considers factors such as net impact, time frame to impact and risk velocity.

**Climate-related risks**

The climate crisis presents an uncertain future for the world. We recognise it as a principal risk that has significant potential to impact our business success and resilience – now and in the future.

We currently identify, assess and manage climate-related risks as part of our overall risk management process. The details of these processes are clearly outlined in the Risk Management section on page 40. This includes physical events impacting our supply chain and transition risks related to regulatory changes which could affect vehicle supply and resale.

We rate climate risks based on their likelihood and potential impact. Using our business risk matrix, we determine their materiality and prioritise them accordingly. Our 'three lines model' helps us to develop appropriate mitigations based on the level of risk presented to the achievement of our stated objectives.

**The Board**

- Chief Finance Officer has executive responsibility for impact, sustainability and ESG including climate risk
- Approves the Company's strategy including impact and sustainability strategy e.g. transition to EVs, SBTs

**The Executive Committee**

- Delegated responsibility from the Board for risk management including impact, sustainability and climate-related risk
- 'ESG' (including the impacts of climate change) is a regular standing agenda item at monthly Executive Committee meetings and reported into Board meetings as appropriate
- Delegated responsibility from the Board to develop the strategic direction of the organisation. The annual strategic review includes consideration of changes to regulation, market conditions and CSR/ESG related to the climate

**The Risk Management Committee**

- Oversees business risk including climate-related risks and opportunities
- Includes Executive Committee members and senior management
- Meets on a monthly basis and ensures that inherent and emerging risks and opportunities including climate-related risks are identified and managed appropriately

**Business Risk team**

Supports the business to identify, assess and manage risk  
Facilitates the business's enterprise risk management framework

**Impact and Sustainability Committee**

- Oversight for impact, sustainability and ESG strategy and performance including Motability Operations' path to net zero
- Comprised of senior representatives from across the business and is overseen by the Chief Finance Officer
- Reports monthly to the Executive Committee

**Impact and Sustainability Champions**

Responsible for the generation and implementation of impact and sustainability activity and business awareness  
Made up of employee volunteers  
Each business area has a representative

Climate-related financial disclosure continued

Strategy

We assess risks and opportunities in the context of our strategy and objectives, including climate change. We consider three different time frames:

Short term (0-3 years): aligned to a single rotation of the customer car fleet.

Medium term (3-5 years): aligned to the business visibility of legislation, including key milestones.

Long term (5-10 years): aligned to the longer-term business strategic outlook.

We are reporting climate change as a principal risk. See page 46 of the Risk Management section for the full disclosure. From our risk assessment processes, three potentially material climate-related risks have been identified, as set out below:

Key

LowMediumHighVery high

Short termMedium termLong term

| Risk type   | Risk description  | Potential financial impact  | Mitigation measures  |
|---|---|---|--|
| <b>Transition: Market</b><br>Magnitude of impact<br>Likelihood<br>Time horizon              | <ul style="list-style-type: none"><li>Changing climate-related regulations, consumer behaviour or infrastructure changes could lead to decreased market value of second-hand vehicles</li></ul>   | <ul style="list-style-type: none"><li>Decreased asset value or asset useful life leading to write-offs, asset impairment or early retirement of existing assets</li></ul> | <ul style="list-style-type: none"><li>In-house forecasting team to minimise risk of residual value movements by re-forecasting on a quarterly basis. This team of specialists is responsible for calculating risks to the residual values of our car fleet</li><li>The residual value impact is calculated using climate scenario data drawn from the Bank of England’s 2021 Climate Biennial Exploratory Scenario (CBES) and incorporated within our Economic Capital process</li></ul>   |
| <b>Transition: Emerging regulation</b><br>Magnitude of impact<br>Likelihood<br>Time horizon | <ul style="list-style-type: none"><li>Emerging climate-related legislation to reduce vehicle emissions, including the UK’s ban on new diesel and petrol cars by 2035, could cause a reduction in the range we are able to offer in the medium term</li><li>In addition, increased costs associated with manufacturing EVs are likely to be passed onto new car prices</li></ul>                         | <ul style="list-style-type: none"><li>Increased direct costs</li></ul>  | <ul style="list-style-type: none"><li>We are able to react quickly to changes in legislation and market with regards to shifting our fleet profile as the majority of our fleet vehicles are on three-year lease agreements. We have chosen to accept this risk and as such there is no further cost associated with the response to the risk</li><li>We track the percentage of EVs on our vehicle fleet, which stands at 5.1% at the end of FY23. We have set an aspirational goal to address the challenges our customers face as the industry moves to electric, aiming to seamlessly transition 8 out of 10 customers into an electric vehicle by 2032</li></ul>  |
| <b>Physical: Acute</b><br>Magnitude of impact<br>Likelihood<br>Time horizon                 | <ul style="list-style-type: none"><li>Acute physical impacts of climate change including flooding and extreme weather causing disruption to third-party supplier physical infrastructure such as dealers and service centres</li><li>In addition, there is a risk of increased insurance claims and associated losses with respect to our fleet as a result of increased UK flooding activity</li></ul> | <ul style="list-style-type: none"><li>Increased indirect (operating) costs</li></ul>  | <ul style="list-style-type: none"><li>We have well-established continuity response plans including homeworking, system resilience and disaster recovery in place. A dedicated cross functional Business Continuity Committee is in place as well as strong supplier relationships and communication. In addition, our supply chain is highly diversified in order to reduce risk of a single point of failure</li><li>Our dedicated Insurance team monitors claim frequencies and values, noting extreme weather events and any correlated claims</li><li>Our Economic Capital process is designed to protect the business against extreme shock events. This covers both Insurance and Operational Losses</li></ul> |



Climate-related financial disclosure continued

### What this means for us...

#### Climate-related opportunities

The climate challenge presents both risks and opportunities for our business, particularly as we transition to EV and zero emissions mobility for a low carbon future.

The ban on new petrol and diesel cars from 2035 will result in increased choice and improved affordability of zero emission vehicles. With most of our fleet on a 3-year lease agreement, these changes will be reflected through our renewal profile. As a result we are presented with a strong opportunity to enhance our offering of EVs and zero emission mobility options.

By ensuring our customers are supported and an EV meets their needs, we can ensure customers are able to transition to an EV, identifying and removing the barriers to adoption.

Finally, we have the opportunity to develop new partnerships that work for our planet and our people. An example of this includes working in partnership with our chargepoint providers, to help facilitate our customers' transition to EVs. We offer free-of-charge domestic charging points to customers choosing to lease an EV for the first time, supporting customer adoption and transition to electric. To date, we have installed over 28,000 charging points for our customers.

#### Strategic impact

The phasing out of all new petrol and diesel cars by 2035 and ongoing transition to EVs has had several strategic impacts for our business, including:

- An increased variety of low emissions vehicles
- More engagement with charging point providers for potential new service offerings, such as providing our customers free domestic charging points
- Investment in developing a trial for electric Wheelchair Accessible Vehicles (eWAVs)
- Participation in trials with external companies whose services support the EV transition, such as community-based EV charging

We have also moved our operations to renewable energy tariffs and we are increasing awareness amongst employees on how they can contribute to reducing emissions, as a direct response to climate-related risks and opportunities.

#### Financial planning

Climate-related risks and opportunities are shaping our financial planning in the short and long term. This includes direct and indirect costs related to anticipated changes in the price of insurance, as well as investments in energy efficiency projects aimed at reducing future operational costs. As an example of this, we have aligned all building refurbishment projects with BREEAM requirements and have installed solar thermal panels on the roofs of our Bristol and London offices.

The growth of EVs in the fleet is also changing the profile of our assets. EVs are generally more expensive to purchase than petrol or diesel vehicles. This alters the cost structure of our core lease offering, with larger acquisition costs. As a result, we set aside £300m in 2021 to support our customers with affordability and their transition to EVs over the subsequent 3 years.

The phasing out of petrol and diesel vehicles presents a potentially material risk to our organisation due to the decreased market value of second-hand vehicles. We have used climate scenario data drawn from the Bank of England's 2021 Climate Biennial Exploratory Scenario (CBES) to calculate the associated residual value impact. We provide our customers with a fixed price over their lease term, predominantly covering a 3-year period; this underpins our most significant risk as we underwrite the exposure to unforeseen and material movement in the market value of second-hand vehicles. Total residual value risk is measured as the difference between the forecast values used for pricing and the net proceeds we ultimately realise on disposal. In order to understand the potential range of residual value impacts, two CBES scenarios were considered within our risk assessment and Economic Capital process.

Although we have not yet completed a full climate scenario analysis across the organisation and its operations, we understand that climate risk assessments are an iterative process that will evolve over time. As a result, we are committed to conducting a full climate scenario analysis in 2024, building on our risk quantification work for our material risks.

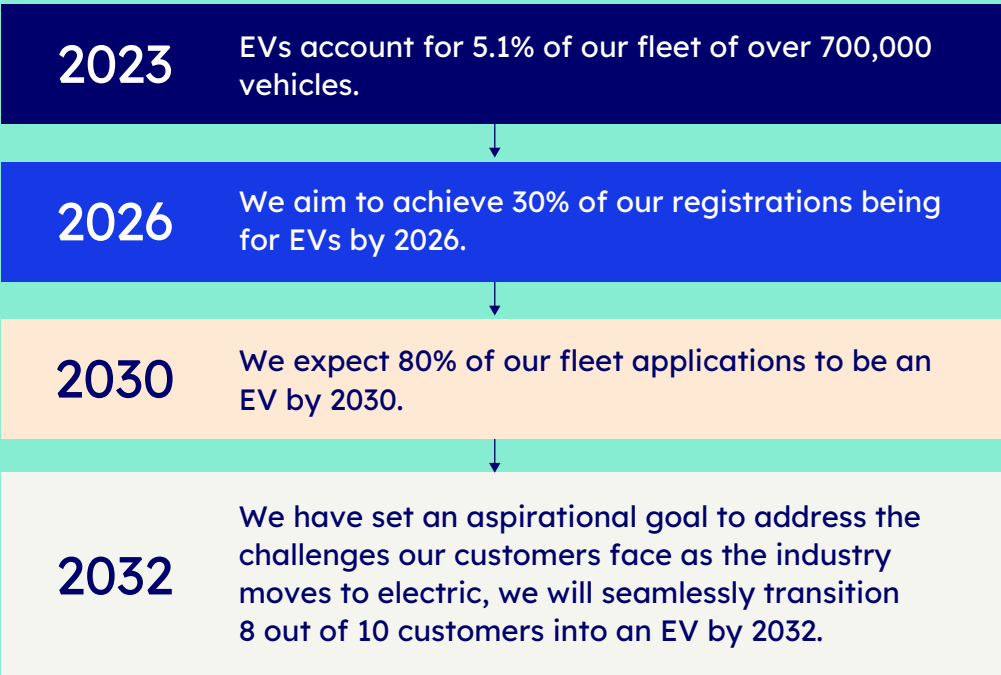
In conclusion, we are comfortable that through our risk assessment and Economic Capital process, that the existing climate risks are covered.

[Read more about our progress, ambitions and detailed targets in our Impact Report.](#)

#### Next steps

In 2024, we will be conducting a detailed qualitative climate scenario analysis. This will allow us to further assess the resilience of our business model and strategy in a range of different warming scenarios.

#### Our EV timeline



#### Metrics and targets

Setting metrics and targets is important for effectively measuring and managing climate-related risks and opportunities. We have calculated our full Scope 1-3 footprint and have reported on this within our SECR table on page 84. Understanding our carbon footprint has allowed us to pinpoint areas where we can target reduction efforts. We have now modelled, set and had approved by the SBTi, our near-term SBTs, which the SBTi has published. For more details see their website – <https://sciencebasedtargets.org>.

A key metric we track is the percentage of EVs in our vehicle fleet, which stands at 5.1% at the end of FY23. We have set an aspirational goal to address the challenges our customers face as the industry moves to electric, aiming to seamlessly transition 8 out of 10 customers into an electric vehicle by 2032. We anticipate that 30% of applications will be for an EV by 2026, rising to 80% of applications by 2030.

The Executive team has a remuneration target that is linked to the percentage of EVs on our fleet, as well as customer satisfaction and employee engagement. The details of these targets can be found on page 76.

# Section 172 Companies Act 2006

## Compliance with Section 172 Companies Act 2006

This S172 statement explains how the Board of Directors:

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

The S172 statement focuses on matters of strategic importance to the Group, and the level of information disclosed is consistent with the size and the complexity of the business.

When making decisions, each director and member of the Executive team ensures that he/she acts in the way he/she considers, in good faith, would most likely promote the Group’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 risks posed by high inflation, supply chain constraints and rising interest rates (exacerbated by the war in Ukraine) and the impact that these have on affordability and choice, the transition to electric and ensuring our customers are not left behind, and bringing to life our sustainability and impact agenda.

### 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 directors factor the implications of decisions on employees and the wider workforce, where relevant and feasible. To create a culture where everyone feels valued and respected, our equality, diversity and inclusion strategy aims to reflect the diversity of the working population and reflect the diverse communities of our customer base.

[Read more in the Our people section on pages 24 -27](#)

### 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, the Motability Foundation and investors. Supplier engagement and ongoing supplier management are supported by the Company’s Purchasing policy and governance provided via the contractual arrangements with suppliers. 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 Sustainability and Impact strategy is vital for future sustainability. Our Impact Report which can be found here provides details of our ambitions in this area.

Our near-term (2032) science based targets to reduce our omissions were verified by the Science-Based Target Initiative (SBTi) at the end of the financial year. We have also signalled our intent to submit long-term (2050) net zero targets to SBTi. We have continued to maintain our Carbon Disclosure Programme (CDP) ‘B’ ratings this financial year and have begun the process of seeking B Corp certification.

We proactively seek to minimise our carbon footprint by managing our internal infrastructure and creating a sustainable work environment. Details of our initiatives and approach can be found in the ESG overview. Read more on pages 37-39 and a copy of our Statement of carbon emissions in compliance with Streamlined Energy and Carbon Reporting (SECR) is on page 84. Motability Operations is registered with the Carbon Trust.



## Section 172 continued

**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 58 - 67. Throughout 2024, 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, ensuring that decision-making is reflective of our commitment to have a material impact on the environment and society.

**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.

Our key employee policies, including Bullying & Harassment, Disability Confidence, Diversity and Grievance, help provide the blueprint for the whole organisation’s expected behaviour, role and reporting. Our Environmental, 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 High-Performing Organisation (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.

The Board strongly believes that Motability Operations will only succeed by working with customers, business partners, investors and other stakeholders. Working together is critical to ensure that we deliver smart, sustainable solutions that improve our customers’ mobility in a fast-changing world.

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

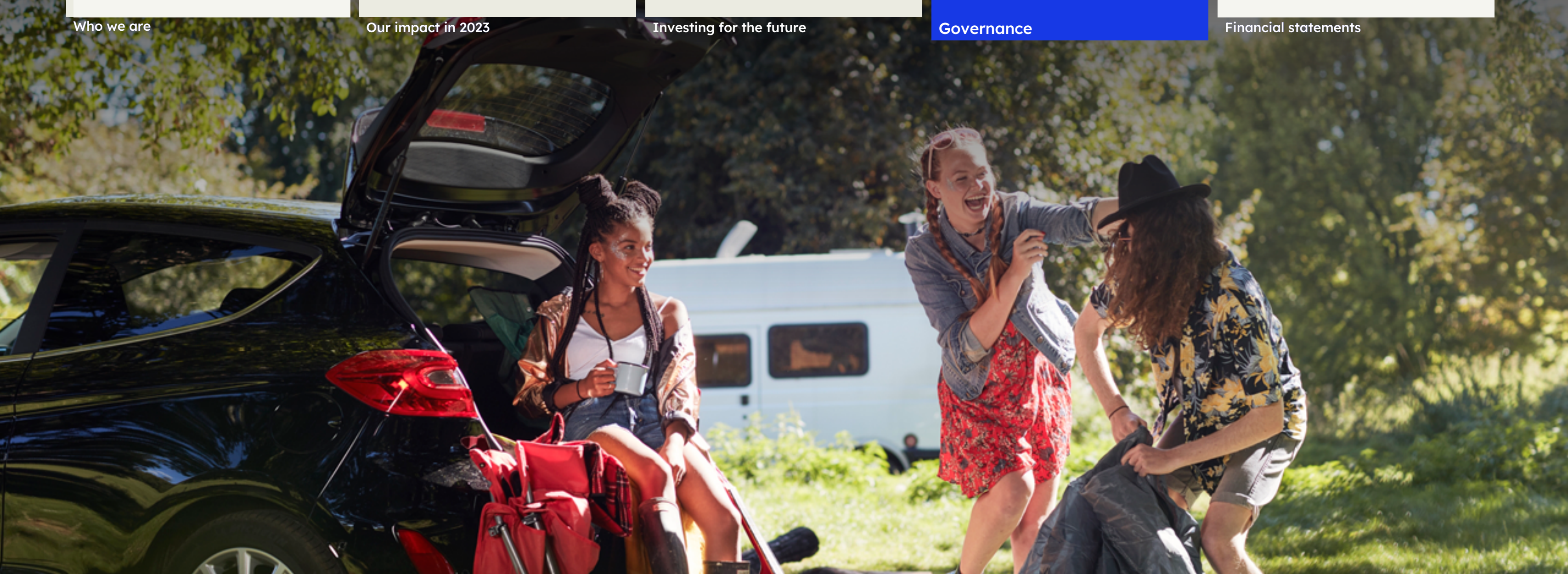


**Rt. Hon. Sir Stephen O’Brien KBE**  
Chairman



**Andrew Miller**  
Chief Executive Officer





# Governance

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# Corporate governance report

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.

## Principle 1

### Purpose and Leadership

Our purpose is to deliver smart, sustainable solutions that improve our customers’ mobility in a fast-changing world.

We are led by purpose and guided by our beliefs as set out in our three strategic pillars: ‘Keep delivering brilliantly for our customers’, ‘Lean into green’ and ‘Find new and exciting products for our customers’. These set out a clear framework within which we align our business objectives, strategic initiatives, performance targets and business planning. Our people positioning principles, culture and values form the bedrock to deliver these objectives.

Our values of ‘We find solutions’, ‘We drive change’ and ‘We care’ are central to how we work every single day. We embrace diversity which enables us to have a wide variety of approaches and perspectives, enhancing performance and creating value for customers.

The Group’s purpose, goals and values build on Motability Operations’ commitment to good corporate governance with a clear focus on our environmental and social responsibility and our Memorandum and Articles reflect this commitment to have a ‘material positive impact on the environment and society’.

As we do not pay shareholder dividends, we can focus purely on delivering for our customers, with profits available for reinvestment to support their current and future needs. The Group’s strong financial position has allowed us to continue to support affordability and to keep future vehicle prices as low as possible for our customers. We increased the ‘New Vehicle Payment’ from £250 to £750 for all new to Scheme and renewing customers and for those customers who received the previous NVP of £250, we provided a £500 top-up payment. We have also ring-fenced investment of £300m to ensure that our customers are not left behind on the transition to electric vehicles. This financial year, Motability Operations made another donation to the Motability Foundation of £250m.

## Principle 2

### Board Composition

The Board comprises a Chairman, Chief Executive, Chief Finance Officer, four Non-Executives Directors and six Independent Non-Executive Directors. This size and composition is appropriate, given the size and complexity of the business. The Group has a separate Chairman and Chief Executive to ensure that the balance of responsibilities, accountabilities and decision-making across the Group is effectively maintained.

The responsibility of the Independent Non-Executive Chairman includes leading the Board and ensuring its effectiveness.

This includes setting the agenda for Board meetings, promoting a culture of openness and debate and, with the assistance of the Company Secretary, arranging for the Directors to receive timely, accurate and clear information ahead of Board meetings.

The Chief Executive is responsible for leading and managing the business on a day-to-day basis with authorities delegated by the Board and is accountable to the Board for the financial and operational performance of the Group. This day-to-day management is effected through the Executive Committee, with the Chief Executive as Chair.

The Non-Executive Directors combine broad business and commercial knowledge to enable them to challenge and contribute to the development of our strategy. They bring an independent judgement to all business issues through their contribution at Board and Committee meetings. The Chairman is satisfied that the Independent Non-Executive Directors are independent in both character and judgement.

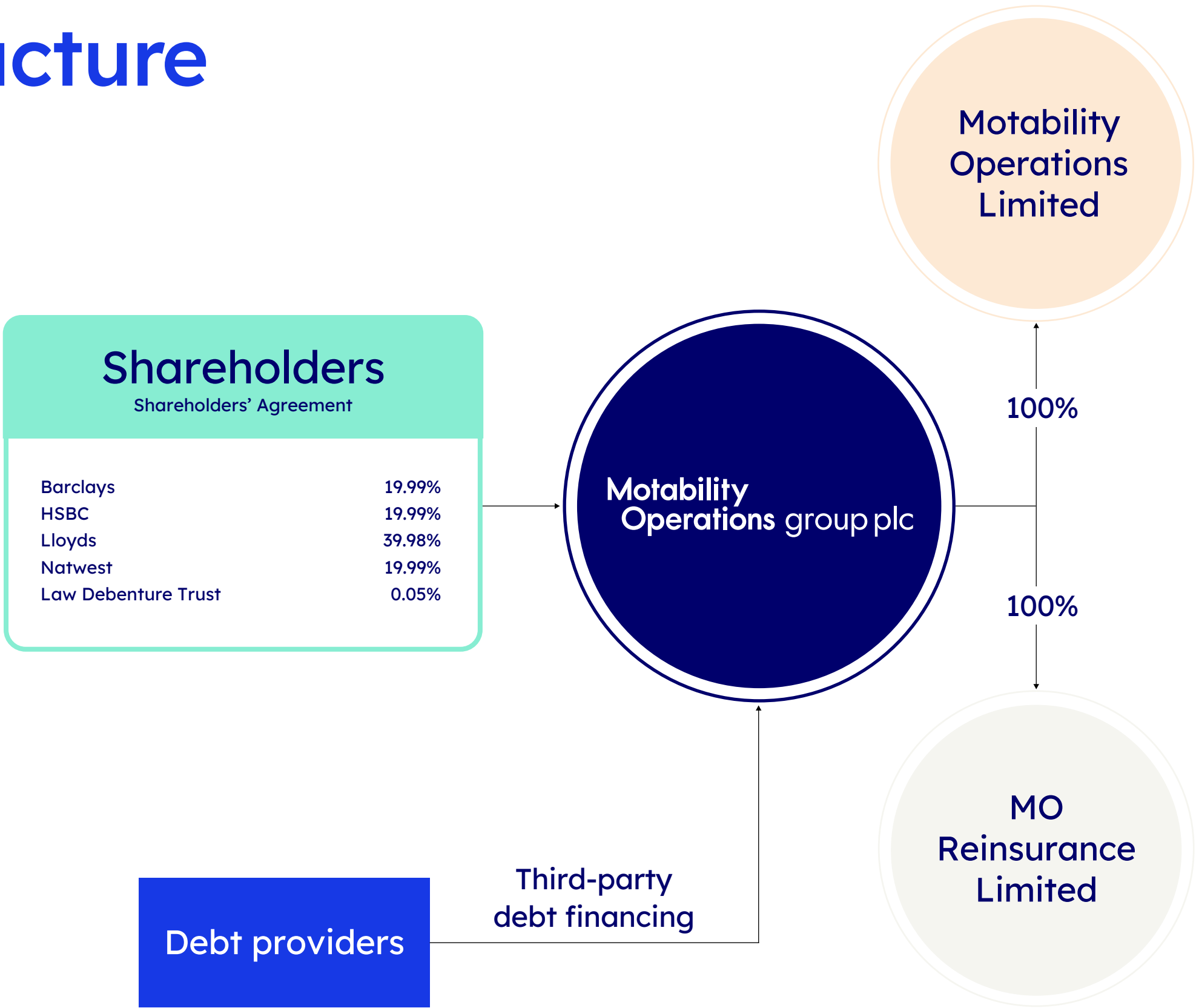
The Board meets at least six times a year in December, March, April, June, September and November. A key element of the Board meetings is to demonstrate how the Company’s strategy is being delivered. The formal agenda that follows this will typically include a review of the Company Performance Report (including a financial and operational review), a Chief Executive update, and Audit, Remuneration and Nomination Committee updates.

# Corporate structure

The Board’s responsibilities

Matters reserved for the Board include:

- Promoting the success of the business
- Approval of strategy proposed by the Executive Committee
- Approval of financial reporting and controls
- Ensuring maintenance of a sound system of internal control and risk management
- Approval of major capital projects
- Ensuring adequate succession planning for the Board and senior management
- Undertaking reviews of its own performance and that of other Board Committees
- Approval of Group policies
- Approval of the structure and terms of reference of the Board Committees





# Our Board

The Directors of the Company who were in office at the date of signing the financial statements were:

### Chairman

**Rt. Hon Sir Stephen O’Brien KBE**  
Independent Non-Executive Chairman

Stephen was appointed as Non-Executive Chairman of Motability Operations Group plc on 1 April 2019.  
Chair of the Nomination Committee and member of the Remuneration Committee.

### Executive Directors

|   |  |
|---|--|
| <b>Andrew Miller</b><br>Chief Executive Officer   | <b>Matthew Hamilton-James</b><br>Chief Finance Officer   |
| Andrew was appointed as Chief Executive Officer of Motability Operations Group plc on 1 January 2021. | Matthew was appointed as Chief Finance Officer of Motability Operations Group plc on 1 October 2016. |

### Non-Executive Directors

**Chris Davies**  
Independent Non-Executive Director

Chris was appointed as an Independent Non-Executive Director of Motability Operations Group plc on 1 July 2020.  
Member of the Audit Committee and the Remuneration Committee.

**Daniel Fairclough**  
Non-Executive Director

Daniel was appointed as a Non-Executive Director of Motability Operations Group plc on 26 August 2022 (alternate, David Mudie, was appointed on 26 August 2022).  
Member of the Audit Committee.

**Alison Hastings**  
Independent Non-Executive Director

Alison was appointed as an Independent Non-Executive Director of Motability Operations Group plc on 1 June 2018.  
Member of the Remuneration Committee.

**Michael Hordley**  
Non-Executive Director

Michael was appointed as a Non-Executive Director of Motability Operations Group plc on 16 July 2021 (alternate, Jayne Seaford, was appointed on 16 July 2021).  
Member of the Audit Committee.

**Daniel Meredith Jones**  
Non-Executive Director

Daniel was appointed as a Non-Executive Director of Motability Operations Group plc on 7 September 2016 (alternate – Simon Amess, appointed 1 December 2019).  
Member of the Audit Committee and the Remuneration Committee.

**Simon Minty**  
Independent Non-Executive Director

Simon was appointed as an Independent Non-Executive Director of Motability Operations Group plc on 1 September 2018.  
Designate Non-Executive Director to engage with employees, and member of the Remuneration Committee.

**Ruth Owen**  
Independent Non-Executive Director

Ruth was appointed as an Independent Non-Executive Director of Motability Operations Group plc on 1 June 2018.

**Ruth Prior**  
Independent Non-Executive Director

Ruth was appointed as an Independent Non-Executive Director of Motability Operations Group plc on 1 March 2018.  
Chair of the Audit Committee and member of the Remuneration Committee and the Nomination Committee.

**Peter Pritchard**  
Non-Executive Director

Peter was appointed as a Non-Executive Director of Motability Operations Group plc on 1 September 2022.  
Member of the Audit Committee and the Remuneration Committee.

**Neill Thomas**  
Senior Independent Director

Neill was appointed as an Independent Non-Executive Director of Motability Operations Group plc on 1 September 2014 and Senior Independent Director on 7 June 2018.  
Chair of the Remuneration Committee and member of the Audit Committee and the Nomination Committee.

**Robert Whittick**  
Non-Executive Director

Robert was appointed as a Non-Executive Director of Motability Operations Group plc on 30 September 2016 (alternate, Peter Lord, was appointed on 30 September 2016).  
Member of the Audit Committee.

**Jo Pentland**  
Group Company Secretary

Jo was appointed as Company Secretary of Motability Operations Group plc on 20 March 2008.

# Principle 3

## Director Responsibilities

### Accountability

At Motability Operations, we believe that good governance supports open and fair business, ensures that the Group has the right safeguards in place and makes certain that every decision it takes is underpinned by the right considerations. Our Board has a clear strategy, strong and appropriate risk control, and we have the right people in place to ensure this is effectively overseen and delivered. We have a strong culture with all Executive Directors having stretching objectives for the year. This provides the framework for performance assessment at an individual level.

Clearly defined lines of accountability and delegation of authority, alongside well-established policies and procedures in respect of financial planning and reporting, the preparation of monthly management accounts, project governance and information security, all form part of our internal control systems that ensure the accuracy and reliability of financial reporting. The effectiveness of our Governance Committees was confirmed following a review and assessment of the performance, November 2022, and all Company policies were also reviewed and relaunched.

We comply with the relevant provisions of the Companies Act 2006, the Financial Conduct Authority’s (FCA) Disclosure and Transparency Rules and with its Listing Rules applicable to a company with wholesale debt admitted to trading on the London Stock Exchange’s regulated market. Our subsidiary, Motability Operations Limited, is governed by and complies with the requirements of the FCA as a limited permission firm.

Our culture and people are intrinsic to our achievements, and we are committed to the recruitment and retention of an engaged and motivated workforce. The Company’s culture, complexity and the scale of risks faced, as well as its annual performance, are all integral measures in addressing remuneration. Motability Operations regularly reviews remuneration against the market and makes use of pay and benefit programmes which support the achievement of its objectives. During 2022, a revised performance incentive framework was implemented for the Executive team and further details are included in Our people section.

### Committees

The Board delegates authority for day-to-day management of the Company to the Executive Committee which meets monthly. The Executive Committee is chaired by Andrew Miller (Group Chief Executive) and includes Kelly-Jane Botha (General Counsel); Gareth Everson (Strategy and Planning Director); Lisa Witherington (Managing Director, Customer Services); Paul Durkan (Chief Technology Officer); Sarah Lewis (Chief People Officer); Damian Oton (Chief Commercial Officer); Claire Ickringill (Chief Asset Risk Officer); Ian Goswell (Insurance Director); Matthew Hamilton-James (Chief Finance Officer); Ashley Sylvester (Chief Innovation and Transformation Officer); Lisa Thomas (Chief Marketing Officer); Kate Hallward (Chief of Staff); and Julie McManus (Company Secretary).

The Executive Committee met 12 times during the financial year and it has delegated authority from the Board to:

- Manage the day-to-day business operations of the Group and its subsidiaries
- Develop and set strategic objectives
- Agree policy guidelines
- Agree the Group’s budgets and plans and, once these are adopted by the Board, be responsible for achieving them
- Ensure appropriate levels of authority are delegated to senior management
- Ensure the coordination and monitoring of the Group’s internal controls and ensure that activities undertaken are conducted within the Group’s risk appetite
- Safeguard the integrity of management information and financial reporting systems
- Approve key supplier agreements
- Ensure the provision of adequate management development and succession, and recommendation and implementation of appropriate remuneration structures
- Develop and implement Group policies through the Governance Committees (Risk Management; Pricing Policy; Customer Management; Strategic Investment; Impact & Sustainability and Equality, Diversity & Inclusion) and MO Reinsurance Ltd Board
- Agree internal authority limits and control

The Executive Committee is kept informed and updated by the subordinate Governance Committees and the MO Reinsurance Ltd Board, and monthly Executive Committee packs are sent to the Non-Executive Directors for information. The Executive Committee reports to the main Board at least six times a year and there is a standard Board agenda item which allows any Director to comment or ask questions on the content of the Executive Committee packs. The performance of the individual members of the Executive Committee is assessed annually.

The Independent Non-Executive Directors are wholly independent in that they have no material business or relationship with the Group that might influence their independence or judgement. In addition, certain governance responsibilities are delegated to other Board Committees (Audit, Remuneration and Nomination Committees). These Committees include both Non-Executive Directors and Independent Non-Executive Directors, who support effective decision-making and independent challenge.

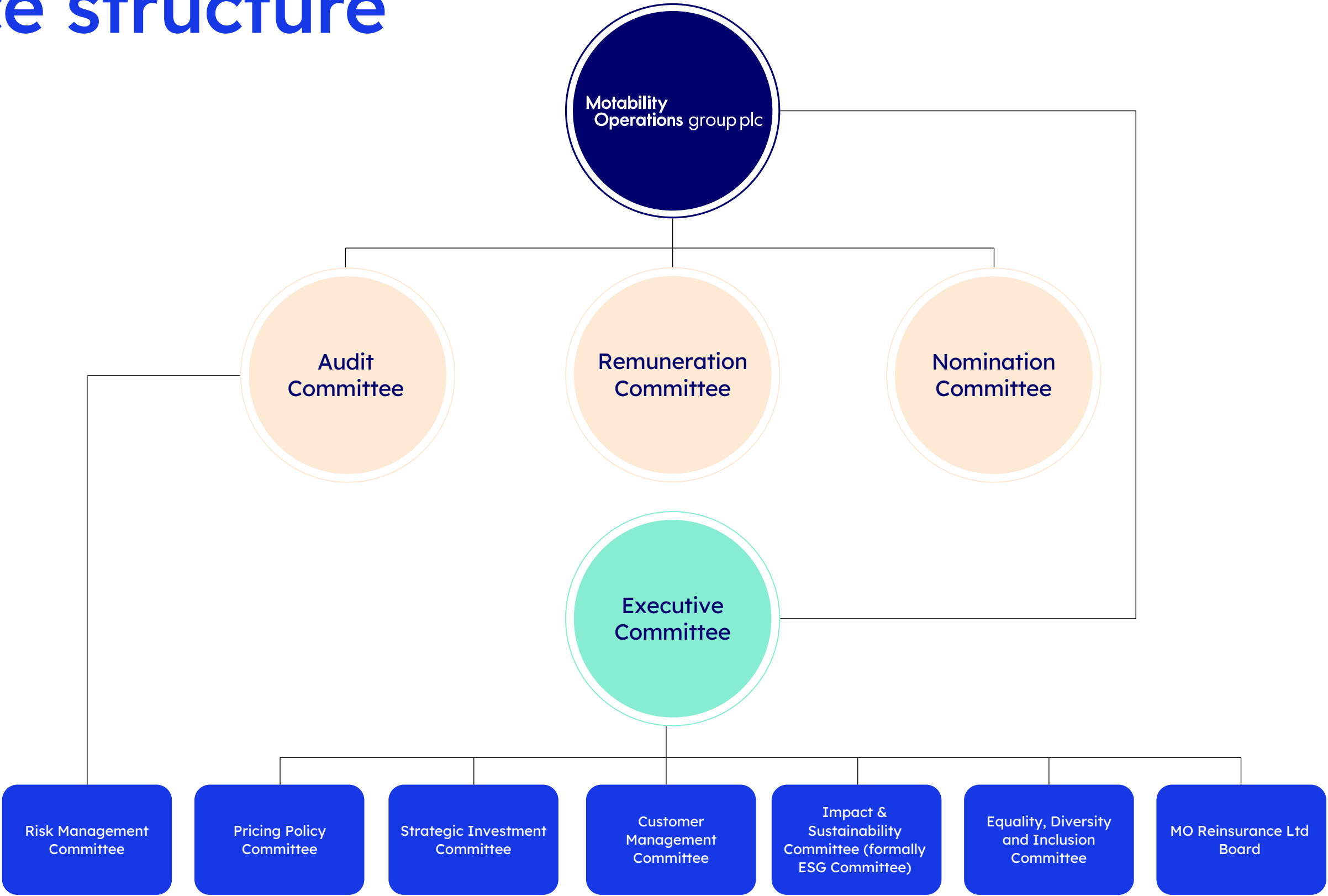


# Governance structure

**Integrity of information**

The Board receives regular and timely information (at least monthly) on all key aspects of the business including financial performance of the business, strategy, operational matters, risk and opportunities, health and safety, all supported by key performance indicators (KPIs). The key financial information is collated from the Group’s various financial reporting systems. The Finance function is appropriately qualified to ensure the integrity of this information and has access to necessary training to keep it up to date with regulatory changes. The financial statements are currently externally audited by KPMG LLP on an annual basis, and financial controls are reviewed by the Group’s Internal Audit function.

Other key information is prepared by the relevant internal function. Processes for collecting data, as well as reporting of that data, are reviewed on a cyclical basis by the Internal Audit function with quarterly reporting to the Audit Committee.



# Principle 4

## Opportunity and Risk

The Board seeks out opportunity whilst mitigating risk.

### Opportunity

The business revises its strategic plan annually, setting the agenda for delivering smart, sustainable solutions that improve our customers’ mobility in a fast-changing world. The updated plan is cascaded widely throughout the business via senior and wider leadership briefings, employee webinars and individual team meetings, which make it clear how employees can deliver both the Company and their individual goals to fit the strategic direction. The Executive team develops a good understanding of the business’s operations and external environment and is therefore well-placed to make informed decisions.

[See page 3 for our strategic pillars](#)

As one of the UK’s biggest fleet operators, we recognise our impact on the planet, our customers and our people. We continue to take a proactive approach to our ESG agenda and strategy, not least via our journey to B Corp certification and the publication of our Sustainability Report.

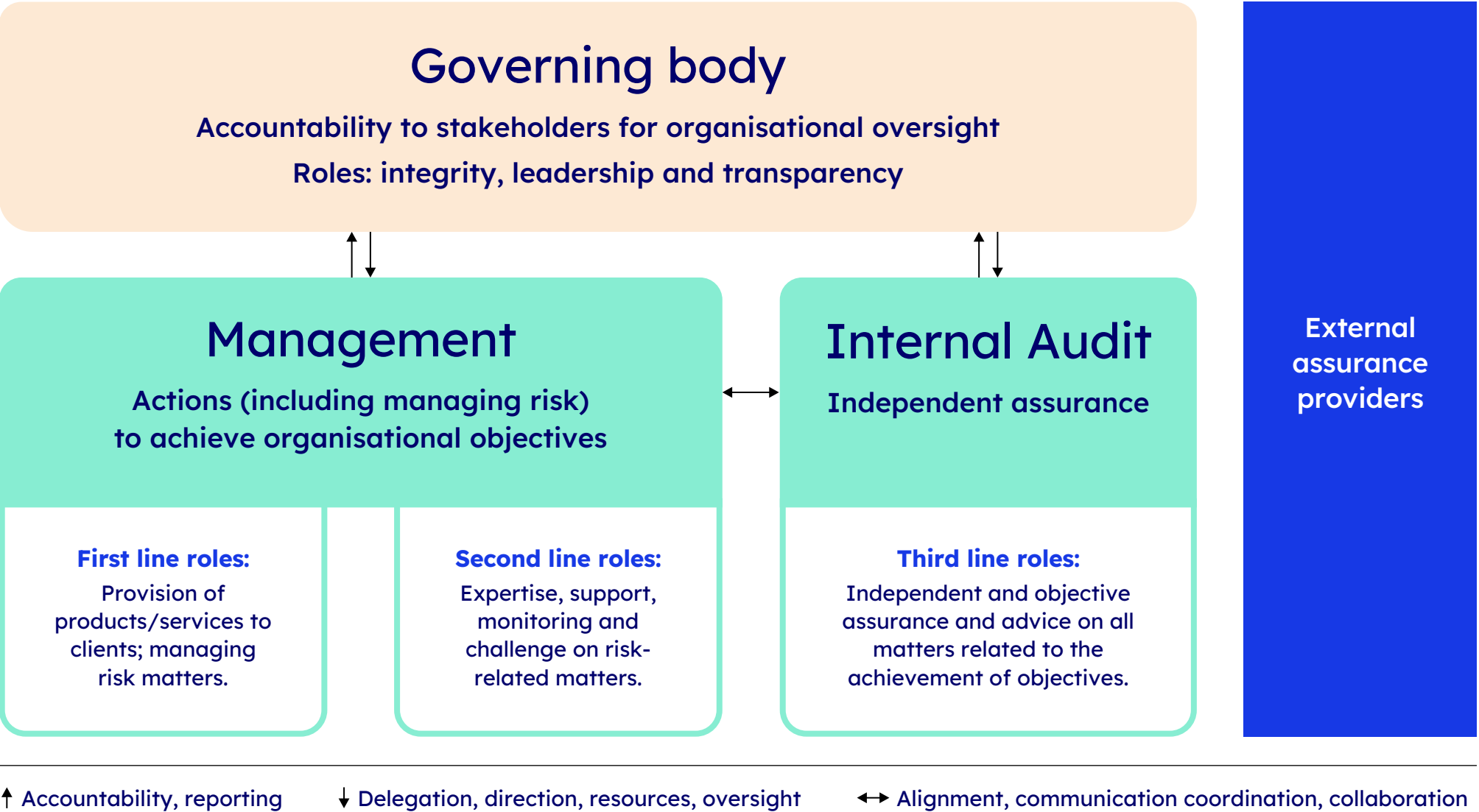
[More detail on our ESG journey can be found on page 37.](#)

A copy of our statement of carbon emissions in compliance with Streamlined Energy and Carbon Reporting (SECR) is available on page 84. Motability Operations is registered with the Carbon Trust.

### Risk

At Motability Operations, we recognise that sound risk management is fundamental to the successful and sustainable operation of the business. It is a core commitment that our approach protects the interests of our customers and seeks to ensure that risks are managed sufficiently to avoid financial, reputational and operational shocks to the business. Our approach to risk management is both dynamic and robust, aiming to ensure that we identify, quantify and manage all material risks. Our risk framework is enshrined within our day-to-day activities and our governance framework, which is overseen and managed by our Risk Management Committee.

## The IIA’s three lines model





We have an Executive Director with specific responsibility for risk, as well as a dedicated Risk Management function. The business’s appetite for risk is managed through a comprehensive and independently verified Risk Appetite Framework.

We have designed our risk management framework around the ‘three lines model’. Consistent with this approach, we have a dedicated Risk function that is integral to coordinating, monitoring and advising on control activities.

We regularly review our risk management framework to ensure that it remains appropriate to the business and its strategy. These updates include regular assessments of risks and controls, including the update of risk registers, and early identification of any emerging risks to the achievement of our stated objectives.

[Further details of our risk management framework and approach are outlined in the Strategic report on pages 3-56.](#)

The Risk Management Committee, consisting of Executive Committee members and other key employees, ensures that inherent and emerging risks are identified and managed appropriately and in a timely manner.

[The Company’s principal risks and mitigations are outlined in the Risk report \(on pages 40-49\).](#)

Our risk appetite is reviewed and set by the Executive team on at least an annual basis, utilising information from strategic planning, risk management activity and business objectives.

## Principle 5

### Remuneration

The Remuneration Committee has clearly defined terms of reference and is responsible for making recommendations to the Board concerning the Group’s remuneration strategy and recruitment framework. In doing so, the Committee takes advice from independent external consultants who provide updates on legislative requirements, best market practice and remuneration benchmarking, drawing evidence from across the sector in which the Company operates and from other relevant sectors.

Our aim is to design a competitive remuneration package that is sufficient to attract and retain individuals with the necessary skills, experience and expertise to run a business of the size and complexity of Motability Operations on a sustainable basis. Our policy ensures we do not encourage inappropriate behaviours or actions and we do not reward poor performance or failure.

In the interests of continued transparency in relation to the remuneration of the Executive, Motability Operations voluntarily elects to publish a Remuneration report. The aim of the report is to set out the key elements of our Remuneration Policy, ensuring that a robust and reasonable balance is achieved between financial reward and performance. The report also demonstrates how the Remuneration Policy has been applied in the current year and the intended approach for the forthcoming year.

[The detailed report can be found on page 73.](#)

The Group is an active equal opportunities employer and promotes an environment free from discrimination, harassment and victimisation, where everyone receives equal treatment and career development, regardless of age, gender, nationality, ethnic origin, religion, marital status, sexual orientation or disability. All decisions relating to employment practices (including remuneration) are objective, free from bias and based solely upon work criteria and individual merit.

## Principle 6

### Stakeholders

The Board is clear that good governance and effective communication are essential on a day-to-day basis to deliver our purpose and protect the Company’s reputation and relationships with all our stakeholder community, including customers, employees, suppliers, the Motability Foundation, manufacturers and dealers, disability groups, investors and the local communities in which we work.

**External impacts**

The Board is committed to social responsibility, community engagement and environmental stability. It achieves this in part through its commitment to: a culture of zero harm (ensuring the safety, health and wellbeing of everyone who works with us); creating positive environmental and social impact; being an employer of choice where everyone is valued and respected; and continuing to ensure the long-term sustainability of the Scheme.

Corporate governance report continued

| Stakeholders | What matters to them  | How we listen   | Actions we've taken  |
|--------------|---|---|--|
| Customers    | <ul style="list-style-type: none"><li>Access to safe, affordable and dependable mobility solutions as part of our worry-free package.</li></ul>   | <ul style="list-style-type: none"><li>We engage with our customers to really understand what they need. Our Headlight Community has c.6,000 customers who provide us with valuable feedback on their experience of the Scheme, including EV drivers.</li></ul>  | <ul style="list-style-type: none"><li>We regularly communicate through a number of methods including customer newsletters, our social media channels, the Motability Scheme website and customer letters.</li><li>We've rolled out and extended the New Vehicle Payment to renewing and new to Scheme customers, increasing the amount from £250 to £750 and extending the period we're offering an NVP, an estimated investment of £85m.</li><li>We successfully transferred our fleet insurance provision from RSA to Direct Line Group. The new arrangements ensure that customers benefit from a market-leading, interactive tech platform, simplifying the handling of their account.</li><li>With one of the largest EV fleets in the UK, we are at the forefront of the changing market and we have so far supported over 35,000 customers to make the switch so we know the potential opportunity for our remaining customers. We also have more than 6,500 EVs in the pipeline.</li></ul> |
| Our people   | <ul style="list-style-type: none"><li>We know the success of our organisation depends on attracting, retaining and motivating employees.</li></ul> <p><a href="#">More information can be found in the Our people section on page 24</a></p>  | <ul style="list-style-type: none"><li>Every year we measure our employee satisfaction through our annual employee survey.</li><li>We continually refresh the way in which we engage with our employees, from webinars to in-person Company roadshows, all the time providing an easy way to engage at all levels.</li></ul>   | <ul style="list-style-type: none"><li>We launched our new values and performance framework that align to and support our purpose through our everyday behaviour.</li><li>We held our first Senior Leadership Conference in May 2023, to ensure the team delivering the business purpose is aligned and empowered to deliver our strategy across the business.</li><li>Our Mental Health Allies programme is well developed, with 54 allies throughout our business.</li><li>Our Belonging@ MO diversity networking groups continue to work successfully in providing a two-way forum and diversity of thought for discussion and ideas.</li><li>We created a suite of various training programmes via an online learning platform, including topics such as the new Consumer Duty and thinking like an innovator.</li></ul>  |
| Suppliers    | <ul style="list-style-type: none"><li>Our Scheme partners are essential to deliver our worry-free package and maintain our high levels of customer service. For these partnerships to be sustainable for the long term, we recognise that our supplier relationships need to make commercial sense.</li></ul> | <ul style="list-style-type: none"><li>Our twice yearly CSI survey allows us to gain feedback from customers on supplier experience, and we also hold regular performance reviews and periodic tenders.</li><li>We carry out several 'in the moment' surveys with customers to ensure that we have the most up-to-date picture of customers' experiences with our suppliers.</li><li>We have carried out feedback questionnaires from those suppliers who work on our premises, to ensure we maintain the same high engagement standards, whether directly employed by Motability Operations or indirectly</li></ul> | <ul style="list-style-type: none"><li>We continue to work closely with our suppliers to ensure delivery and standards are maintained, and we provide enhanced levels of flexibility and support, to improve our customer experience.</li><li>We routinely carry out supplier reviews to monitor performance against KPIs, ensuring that suppliers implement action plans where necessary, and include insurance, roadside assistance and tyre replacement services on our Customer Satisfaction Index, enabling us to benchmark and align the performance of every provider.</li><li>The Company publishes its payment reporting data bi-annually. 99% of all invoices were paid within its standard payment terms of 30 days.</li></ul>   |



Corporate governance report continued

| Stakeholders              | What matters to them  | How we listen  | Actions we've taken  |
|---------------------------|---|--|--|
| Manufacturers and dealers | <ul style="list-style-type: none"><li>We provide a significant route to market for manufacturers and work closely with them to ensure a wide range of models, including an increasing number of EVs. As retail business models change in line with mobility manufacturer trends and customer behaviours, we are working with manufacturers to ensure we maintain choice and affordability for our customers.</li></ul>    | <ul style="list-style-type: none"><li>We have developed strategic relationships with mainstream car manufacturers and support specialist training across the UK dealership network.</li><li>We have a dedicated team which works with manufacturers to ensure continual engagement and feedback. Dealers continue to work closely with us with support from our dedicated in-house call centre, field teams and regular business briefings. This helps to improve awareness and understanding of the Scheme and understand the challenges faced.</li></ul>   | <ul style="list-style-type: none"><li>While we take responsibility for the overall customer experience, at the start of December 2023 we have around 15,000 trained Motability specialists employed by the car and Powered wheelchair and scooter (PWS) dealerships conduct the primary face-to-face relationship with the customer. More than 4,400 dealers provide front-line services for customers and we continue to provide high-quality training for Motability specialists through our online platforms.</li><li>Our dealerships provide the 'shop window' for the Motability Scheme, and are incentivised to provide all-encompassing worry-free service to Motability Scheme customers; as a result of this consistently high delivery, the dealership network has been rewarded through Motability Dealer Partnership programme payments.</li></ul> |
| Investors                 | <ul style="list-style-type: none"><li>Our bond holders need to be confident that the funds they invest in Motability Operations are secure. Our capital structure and approach to risk management are therefore key. Increasingly investors are interested in a company's ESG credentials. Whilst risk and return remain key considerations, our social purpose and environment impact are of increasing focus.</li></ul> | <ul style="list-style-type: none"><li>We have an established programme of engagement with our investors, including sharing our Annual Report and Half Year report with them, providing visibility of Company performance.</li><li>We host global investor calls twice a year following the publication of these reports and invite an open dialogue and Q&amp;A.</li><li>We believe that transparency is key and as part of our rolling refinancing programme, the Executive team makes itself available for a comprehensive investor roadshow prior to any new bond issuance.</li></ul>   | <ul style="list-style-type: none"><li>Investor feedback continues to support our thinking towards ESG. We issued four dual-tranche issuances under the Group's Social Bond Framework.</li><li>Our second 'Annual Report on Eligible Social Projects' will be published in January 2024, 12 months after the issuance of the Group's January 2023 bond.</li></ul>   |
| Motability Foundation     | <ul style="list-style-type: none"><li>Motability, the Foundation, is responsible for overseeing the Motability Scheme. Their vision is that building a future where all disabled people have the transport options to make the journeys they choose.<br/><a href="#">See page 28 for details</a></li></ul>  | <ul style="list-style-type: none"><li>We continue to work closely and collaborate with the Motability Foundation on how we run the Scheme and a number of initiatives.</li><li>We engage with them through various channels including regular working groups with the teams at the Foundation, the Foundation's Scheme Oversight Committee and at their Board of Governors' meeting.</li><li>We work with the Foundation and see real value in their input, feedback and constructive challenge.</li><li>We are also working closely with our colleagues at the Foundation to ensure that electric vehicles are accessible for disabled customers.</li></ul> | <ul style="list-style-type: none"><li>By understanding the Foundation's plans and priorities we can make sure our plans align. We know this helps inform our decisions in balancing how we deploy our capital reserves to meet the Scheme objectives and ensure our charitable donation makes a real difference to disabled people's lives.</li><li>Our capital headroom has also enabled our Board to approve the payment of a £250m donation to Motability Foundation.</li><li>Our performance is tracked through a range of contractual KPIs developed in partnership with Motability. These KPIs ensure activity across the business is aligned to our strategic objectives and the direction set in partnership with the Foundation.</li></ul>  |

Corporate governance report continued

| Stakeholders             | What matters to them  | How we listen   | Actions we've taken  |
|--------------------------|---|---|--|
| Disability organisations | <ul style="list-style-type: none"><li>Disability groups provide an important voice for our customer base and offer first-hand insight into the challenges faced by our customers and the wider disabled population.</li></ul>   | <ul style="list-style-type: none"><li>We meet with disability groups to share and discuss developments within Motability Operations, but also aim to understand first hand the issues facing these organisations and their members and clients.</li><li>We attend various AGMs and events, including the Disability Benefits Consortium. This interaction provides a valuable sounding board to feed back on our plans and operational challenges, helping to ensure that the voices of people with disabilities are heard.</li></ul> | <ul style="list-style-type: none"><li>Our series of 'One Big Day' events over the summer attracted over 26,000 attendees across five events and 1,400 test drives. We were delighted to be able to host one of these events in Scotland again.</li><li>The insight from our broad engagement with disability groups helps us shape our customer proposition.</li></ul>                         |
| Local communities        | <ul style="list-style-type: none"><li>Our focus on empowerment and support for under-represented groups extends to wider society, including increasing diversity in our workforce and supporting the communities in which we live and work. We offer best practice disability access in and around our buildings. As a large UK-wide business, with offices in Coalville, Bristol, Edinburgh and London, we want to make a positive social and economic impact for our local communities and wider society.</li></ul> | <ul style="list-style-type: none"><li>We engage with local charities, education bodies and businesses to understand how we can create a positive impact.</li><li>Employee feedback and input is also important in shaping how we can support our local communities.</li></ul>   | <ul style="list-style-type: none"><li>We operate a Scholarship Programme providing financial support and work experience for a number of disabled and BAME students each year and have started an Apprenticeship Programme.</li><li>Our On Hand app was launched in 2023 – an employee volunteering scheme to enable employees to make a positive impact in their local communities.</li></ul> |





**Ruth Prior**  
Chair of the Audit Committee

# Audit Committee

The Audit Committee plays an important role in overseeing and ensuring the effectiveness of the financial control and risk management framework at Motability Operations.

The Audit Committee comprises three Independent Non-Executive Directors and four shareholder-appointed Non-Executive Directors, and the Motability Foundation has observer rights. In my capacity as an Independent Non-Executive Director, I chair the Committee, with other members during the year being Christopher Davies, Dan Fairclough, Michael Hordley, Daniel Meredith Jones, Peter Pritchard, Neill Thomas and Robert Whittick. Chris Davies and I are serving company CFO. The Executive Directors, other members of senior management, the Head of Internal Audit and the external auditor (KPMG LLP) are in attendance where appropriate, together with senior representatives of the Motability Foundation.

The Committee’s terms of reference remain unchanged, giving delegated authority from the Board to:

- Review and recommend the annual assurance plan to the Board and receive progress reports from Internal Audit
- Oversee all assurance activity and monitor the adequacy and effectiveness of such activity
- Review audit reports and monitor management’s progress against agreed actions
- Appoint and dismiss the external auditor
- Monitor the objectivity, independence and effectiveness of the external auditor, including the sanction of non-audit work
- Oversee the operation of the risk management framework, including the risks identified in the corporate risk register
- Receive and review periodic reports from the Executive and Risk Management Committee
- Review key areas of management judgement which may have a material bearing on the financial statements including, but not limited to, the periodic revaluation of residual values, the assessment of the adequacy of MORL’s insurance reserves and other accounting estimates such as maintenance accruals and end-of-contract payments
- Receive periodic reports from MORL’s Audit & Risk, Underwriting and Investment Committees to ensure that risk management within the subsidiary is managed in a manner consistent with Group policies
- Consider any substantive control issues arising, including major control failures or incidents
- Oversee internal and statutory financial reporting, recommending to the Board adoption of the half-year and full-year accounts



## Audit Committee continued

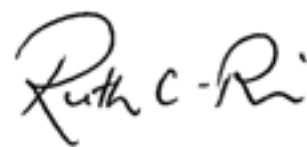
The Committee meets quarterly in advance of meetings of the main Board, at which the Committee chair reports. Matters considered on a regular basis during the year included:

- The company's capital position, incorporating the evolution and quantification of major risks and their implication for capital requirements, as recorded and measured through the risk register, to ensure capital adequacy at all times within the parameters agreed by the Board
- A treasury report covering policy and factors affecting liquidity (including ongoing Group financial performance, bank finance availability and bond market access) to ensure that satisfactory liquidity is maintained at all times, within the agreed policy
- Progress reports from the responsible Executive Director on all key aspects of the business
- Review of the outputs of and matters considered by management and the Risk Management Committee, including emerging risks and opportunities, presented by the responsible Executive Directors
- Internal Audit reports and issue resolution on a quarterly basis, together with the appropriate resourcing of the function. No significant issues were encountered
- Reports on any significant control failures or incidents over the previous quarter, and resolution to the satisfaction of the Committee

Other matters on which the committee focused specifically at intervals during the year included:

- Presentation on Internal Audit's data strategy, including embedding data analytics within audits and the development of Audit Continuous Testing to provide real-time management information, improving the ability of management to manage risk and opportunities
- Presentation of the findings of the external review of risk management across MO's three lines model, namely Business, Risk and Internal Audit functions, to support future strategy requirements
- Presentations from the respective chairs of MO Reinsurance Limited's (MORL) Underwriting, Investment and Audit & Risk Committees. This included an update on the successful transition from the current insurance provider RSA to Direct Line Group.

- Validation of the annual risk review process, including a review of the emerging risk and opportunity (ERO) framework, how the major risks are presented to ensure greater consistency of internal and external risk reporting, a clear demonstration of trends/changes in risk, with explicit links to potential impacts to the business model and strategy
- Received updates on how the Group continues to assess and agree the recognition, measurement, presentation and disclosure of insurance contracts within the scope of IFRS17
- The financial statement for the half year and full year which is considered in depth at the Committee's December meeting, with the benefit of a detailed report on the findings of the external auditor, KPMG LLP, who are in attendance to present their report and respond to questions. An unqualified report was issued by the auditor in the year ended 30 September 2023, having identified no matters of material concern.
- Significant financial reporting/judgements and changes in relation to the Group's financial statements considered by the Committee are set out on page 70.



**Ruth Prior**  
Chair of the Audit Committee





During the year, the Committee considered the following significant financial reporting judgements and changes in relation to the Group’s financial statements and disclosures, with input from management, Internal Audit and the external auditor:

Key Judgments in Financial Reporting plus Other Accounting Estimates

Residual values

The estimation of the residual values of the vehicle fleet is subject to a number of economic, industry and portfolio-specific factors. Volatility and/or inaccuracy in estimating residual values could have a material impact on the Group’s reported financial position.

Audit Committee review and conclusions

- The estimation of residual values is identified as a key business risk and was subject to regular scrutiny and review by the Audit Committee during the year
- The Audit Committee reviewed management’s accounting estimates of residual values as part of the financial reporting cycle to understand and evaluate assumptions and estimates
- The Audit Committee was satisfied that residual value estimates were appropriate and processes well controlled

Insurance reserves

Provisions for insurance claims are set aside to cover all reported claims in progress plus an additional amount for insurance claims where accidents in the Group’s cars are estimated to have occurred but are yet to be reported. The assessment of these claims results in a provision being recognised, which will affect the reported financial result. The Group’s assessment of insurance reserves is based on a detailed independent actuarial assessment.

Audit Committee review and conclusions

- The Group’s assessment of insurance reserves was reviewed by the MORL Underwriting Committee and MORL Board to consider the appropriateness of the methodology and assumptions applied

Other accounting estimates

Other areas of accounting estimates include maintenance accrual and end-of-contract payments. Changes in estimates of future expenditure or payout rates may affect the reported financial result.

Audit Committee review and conclusions

- The Committee assessed accounting estimates as part of the review process for the financial statements
- The Committee discussed the work and findings of Internal Audit and the external auditor to assess the appropriateness and robustness of estimates
- On this basis, the Audit Committee was satisfied that accounting estimates were appropriate and processes well controlled

## Nomination Committee

# Nomination Committee

We continually review the composition of the Board and this year we agreed changes to membership of MO Reinsurance Ltd and agreed two new executive roles.

The Nomination Committee comprises the Independent Non-Executive Chairman, the Senior Independent Director and an Independent Non-Executive Director. It is chaired by the Independent Non-Executive Chairman, Sir Stephen O'Brien, and the other members are Neill Thomas and Ruth Prior. The Chief Executive and Chief of People attend where appropriate. The Head of People Experience acts as secretary to the Committee.

The Committee meets twice yearly, and at such other times as required, and has delegated authority from the Board to:

- Review the structure, size and composition (including the skills, knowledge and experience) of the Board
- Review the leadership needs of the organisation, both executive and non-executive, to ensure the continued ability of the business to operate successfully
- Propose the positioning of executive remuneration ranges for the Remuneration Committee to review
- Develop and review succession and retention plans for Executives and other senior managers, taking into account the challenges and opportunities facing the Company and the skills and expertise which are needed in the future
- Review proposals for any new Executive and Independent Non-Executive Director appointments

- Identify and nominate candidates to fill Executive and Independent Non-Executive Directors' roles (including the role of Senior Independent Director), including the re-appointment of Independent Non-Executive Directors at the end of their term. In identifying suitable candidates, the Committee will use open advertising or the services of external advisers to facilitate the search. The Committee will consider candidates from a wide range of backgrounds and make decisions based on merit against objective criteria
- Review annually the time required from Non-Executive Directors to fulfil their responsibilities
- Make recommendations to the Board in relation to membership of the Audit, Remuneration and Nomination Committees
- Approve any Executive Director's external non-executive director appointment
- Make recommendations to the Board concerning any matters relating to the termination of a Director's contract of employment or service
- Evaluate the effectiveness of the Committee

The Chairman of the Company holds meetings with the shareholders and feeds back any views, issues or concerns to the Board. There is an 'open invitation' to the Senior Independent Director to attend these meetings as appropriate.

**Rt. Hon. Sir Stephen O'Brien KBE**  
Chairman, Motability Operations



Nomination Committee continued

During the year, the Nomination Committee covered the following matters:

- The composition of the MO Reinsurance Ltd Board was reviewed and it was recommended to the Board: the appointment of Kelly-Jane Botha, General Counsel, following the resignation of Joanne Pentland, Group Company Secretary; the appointment of: Clare Ickringill, Chief Asset Risk Officer, and Tom Keenan, Head of Insurance Risk, as alternate, following Ashley Sylvester, Chief Innovation and Transformation Officer, stepping down; and the extension of Mike Gardner’s term for a further year from January 2024
- The new roles of Managing Director, Scotland, and Insurance Director were approved
- Succession plans for Executives were reviewed and the Committee was satisfied that these were appropriate and continue to meet business needs
- The position of the Executive Directors within their remuneration ranges was agreed
- An evaluation of the performance of the Nomination Committee
- A review of the terms of reference



**Rt. Hon. Sir Stephen O’Brien KBE**  
Chairman







**Neill Thomas**  
Chair of the Remuneration Committee

# Remuneration Committee

I am pleased to present the Directors' Remuneration report for the year ending September 2023.

Motability Operations has a clear strategic agenda and performance framework, with remuneration structures linked to the delivery of sustainable measures of Company performance.

## Linking performance and pay

The aim of this report is to set out the key elements of our Remuneration Policy that ensure a robust and reasonable balance is achieved between financial reward and performance.

The report will also demonstrate how the Remuneration Policy has been applied in the current year and the intended approach for the forthcoming year.

## Remuneration approach

Motability Operations has a clearly defined strategic agenda and framework which underpins its core purpose to deliver smart, sustainable solutions that improve our customers' mobility in a fast-changing world.

Our aim is to design a competitive remuneration package that is sufficient to attract and retain individuals with the necessary skills, experience and expertise to run a business of the size and complexity of Motability Operations on a sustainable basis. Our policy ensures we do not encourage inappropriate behaviours or actions and we do not reward poor performance or failure.

An annual performance incentive framework, revised in 2022, ensures that performance-related pay retains an appropriate balance between day-to-day delivery and a longer-term focus on innovation, sustainability and strategic implementation. Details of this framework and the 2023 performance outcomes are covered later in this report.

## Current year application and context

Across the vehicle manufacturing industry, global supply-chain challenges following Covid-19 restrictions and the Ukraine war continued to impact the production and supply of new vehicles, affecting both the price and availability of new vehicles to the Scheme. In the first half of the year, this continued to lead to a reduced offering on the customer price list and lead-time for customers who had placed an application remained at well above pre-Covid-19 levels. In order to ensure continued mobility for customers, Motability Operations has continued to offer automatic lease extensions to existing customers, leading to an elevated volume of lease extensions.



Remuneration Committee continued

However, the second half of the year saw green shoots in the industry with some improvements in supply leading to an improved price list and shorter lead times. However, supply challenges remain and the higher costs of electric vehicles have put significant pressure on vehicle pricing. Whilst it is expected that supply volumes will recover over the coming months and that pricing will improve, given the current pressures on affordability Motability Operations remains committed to the investments (New Vehicle Payment, EV investment and wider affordability support) outlined in last year’s Annual Report to help customers bridge the financial gap that may otherwise prevent them joining or remaining on the Scheme.

These interventions have made a positive impact for customers, with renewal rates tracking at 90%, a strong order bank and a record 110,500 applications from brand new customers. We saw total customer numbers pass the 700,000 mark during the year. It is also pleasing to note an increasing take up of alternatively fuelled vehicles with 15.2% of applications for hybrid and 5.8% for electric vehicles respectively.

Assessment of performance this year has been undertaken in the context of a continued challenging environment.

Annual performance-related payments

During 2023 the performance incentive framework was implemented for the Executive team, as follows.

- Includes criteria for minimum threshold performance (below which no performance-related payments are paid)
- Ensures a robust and objective measurement of individual performance and contribution
- Reflects revised, measurable and stretching corporate targets
- Includes defined long-term (multi-year) targets in relation to strategic implementation
- Reflects specific objectives aligned to the business’s commitment to reduce its environmental impact, reflecting the Board’s commitment and intent to define specific targets in this important area of its operations

Details of the framework are set out in the Remuneration report below.

The maximum potential annual performance incentive for the CEO and CFO has been set at 150% and 125% of salary respectively. These maximum levels provide the Committee some discretion to reward for exceptional step-change events or performance during the year but ensure that there is an absolute limit on individual payments that can be made.

Performance against this framework resulted in a bonus expressed as a percentage of the maximum potential of 55% for Andrew Miller and 62% for Matthew Hamilton-James. A detailed breakdown of performance against the framework is set out in the Remuneration Report below.

Bonus deferral and release

To support a culture of long-term decision-making in the ordinary course of business, 50% of bonus awards are deferred for a period of three years with performance criteria used to assess the final release of this payment.

Based on performance in the three-year period ended 30 September 2023, the Committee determined that the underpinned conditions attached to deferred bonus awards made in respect of FY2020 were achieved and as such the awards were released to the Executive Directors.

Salary

The Remuneration Committee determines the salary of each Executive Director with regard to the role and responsibilities, the experience of the individual currently undertaking the role, the criticality of the role and the individual to the business, performance and market comparatives. Changes are made as appropriate taking these factors into account and giving due consideration to increases awarded to the wider workforce.

Core benefits

The Group provides Executive Directors with a number of core benefits including private medical insurance, life assurance, travel insurance and a company car (or cash allowance in lieu).

“Ensuring a clear linkage between performance and financial reward.”

Pension

The Group provides a Defined Contribution scheme contribution or cash allowance in lieu of pension for Executive Directors. The normal contribution rate for all employees (including Executive Directors) is 15% of base salary (other than where legacy agreements exist).

Approach for FY2024

The Remuneration Committee will keep the performance framework under review in 2024, to ensure that the metrics continue to provide a relevant, challenging and appropriately broad set of measures in the context of current and longer-term business priorities.



Neill Thomas  
Chair of the Remuneration Committee

Remuneration report

Executive Directors’ remuneration

The table below sets out the Executive Directors’ remuneration structure consisting of base salary, annual performance-related pay, core benefits and pension.

| Base salary   | Benefits  | Pension contribution  | Annual performance incentive paid   | Vesting of deferred bonus   |
|---|---|---|---|---|
| Andrew Miller – £439k<br>(FY2022: £421k)<br><br>Matthew Hamilton-James – £358k<br>(FY2022: £340k) | A standard range of benefits provided: company car, life assurance, medical insurance and travel insurance. | Comprises payments made into the Company’s non-contributory Group personal pension (money purchase) scheme, plus any payments made in lieu of pensions where the Director has opted to take taxable income instead of pension contribution entitlements. <ul style="list-style-type: none"><li>Andrew Miller – £66k (FY2022: £63k) 15% of salary</li><li>Matthew Hamilton-James – £54k (FY2022: £51K) 15% of salary</li></ul> | The maximum potential bonus is 150% and 125% of salary respectively for the CEO and CFO. The bonus is substantially based on key performance measures and individual objectives set at the start of the financial year with additional consideration given to reflect exceptional step-change events or performance within the year. <ul style="list-style-type: none"><li>Andrew Miller – £184k, representing the cash component (50%) of the bonus award in respect of FY2023, which paid out at 55% of maximum (FY2022: £170k)</li><li>Matthew Hamilton-James – £138k, representing the cash component (50%) of the bonus award in respect of FY2023, which paid out at 62% of maximum (FY2022: £133k)</li></ul> | Payment in the year relates to the release of deferred bonus awards earned in FY2020. The Committee determined that the performance criteria attached to the awards were met in full and therefore the award was released. <ul style="list-style-type: none"><li>Andrew Miller – not applicable (FY2022: not applicable)</li><li>Matthew Hamilton-James – £142k (FY2022: £197k*)</li></ul> <small>* includes £65k being the payment of 25% of the FY2020 award which was deferred until October 2021 pending the successful navigation of the impacts of Covid-19</small> |

Annual performance incentive – measurement

Annual performance-related payments are not guaranteed and are linked to clear and sustainable measures of business and individual performance, with levels of stretch incorporated to encourage and reward outstanding performance. The details of the performance-related pay structure are set out below.

Minimum threshold performance

For any potential performance incentive payments to be considered, a minimum threshold performance must be met. The Remuneration Committee may, at its discretion, choose to override these threshold criteria in exceptional circumstances where it is considered that external circumstances, outside management’s control, have compromised delivery. The threshold targets focus on delivery against the following customer performance measures (which are consistent with threshold performance under the contractual KPI framework with the Motability Foundation).

Minimum threshold performance

| Measure  | Threshold performance |
|--|-----------------------|
| Customer satisfaction  | ≥ 88%                 |
| Proportion of car derivatives on the price list at ‘nil advance payment’ | ≥10%                  |
| Customer renewal rate at end of lease                                    | ≥75%                  |

The achievement of threshold performance enables the release of the potential performance-related payments for Executive Directors. Individual performance awards are then considered, with 50% of any potential award being assessed against shared corporate objectives and 50% attributable to personal objectives.



Remuneration report continued

Corporate performance objectives

The corporate performance objectives have been designed to target the delivery of a strong and consistent day-to-day performance whilst also ensuring appropriate focus on innovation, strategic planning and sustainability. Corporate performance objectives account for 50% of an individual Executive Director’s potential performance-related payment, with 10% available across each of the following five metrics:

| Focus area                  | Measure                     | Bonus potential | 100% payout   | 50% payout                      | 0% payout     |
|-----------------------------|-----------------------------|-----------------|---|---------------------------------|---------------|
| Customer service            | Customer satisfaction score | 10%             | 96%   | 92%                             | 88%           |
| People and business culture | Employee engagement score   | 10%             | 94%   | 92%                             | 90%           |
| Innovation                  | Number of pilots in year    | 10%             | 10  | 6                               | 2             |
| Environmental               | % fleet electric/hybrid     | 10%             | 20%   | 16%                             | 12%           |
| Financial sustainability    | Capital reserves            | 10%             | >Minimum Capital Requirement (MCR) + buffer, credit rating maintained | Capital > MCR, but below buffer | Capital < MCR |

\* The Minimum Capital Requirement (MCR) is derived using an Economic Capital methodology which calculates the capital required to protect the business from potential risk events. Capital requirements are assessed at a 99.99% confidence interval to ensure that the business is capable of withstanding extreme shock. Aligned with best-practice, policy is to operate with a capital buffer (over and above the MCR) to provide protection against cyclical economic shock and to cover the vehicle order pipeline.

Individual performance objectives

The remaining 50% of any potential performance-related pay is based on the delivery of a number of individual objectives for Executive Directors, focusing on specific, in-year deliverables.

Overall out-turns for FY2023

Annual performance incentive awards were based on the Remuneration Committee evaluation of Company and individual performance across a broad range of criteria and paid out 55% of maximum potential award for Andrew Miller and 62% of the maximum potential award for Matthew Hamilton-James.

Andrew Miller



Matthew Hamilton-James



Remuneration report continued

FY2023 outcomes

The table below sets out the remuneration outcomes for the Executive Directors for FY2023.

| £'k                    | Salary |      | Benefits <sup>1</sup> |      | Expenses reimbursed in performance of duties <sup>2</sup> |      | Pension <sup>3</sup> |      | Bonus <sup>4</sup> |      | Vesting of deferred bonuses <sup>5</sup> |      | Total |      |
|------------------------|--------|------|-----------------------|------|---|------|----------------------|------|--------------------|------|--|------|-------|------|
|                        | 2023   | 2022 | 2023                  | 2022 | 2023  | 2022 | 2023                 | 2022 | 2023               | 2022 | 2023                                     | 2022 | 2023  | 2022 |
| Executive Directors    |        |      |                       |      |   |      |                      |      |                    |      |  |      |       |      |
| Andrew Miller          | 439    | 421  | 21                    | 19   | -   | -    | 66                   | 63   | 184                | 170  | -  | -    | 710   | 673  |
| Matthew Hamilton-James | 358    | 340  | 17                    | 16   | -   | -    | 54                   | 51   | 138                | 133  | 142                                      | 197  | 709   | 737  |

1. Benefits include car allowance, private medical cover, life assurance and travel insurance.

2. Certain expenses reimbursed relating to the performance of a Director’s duties are classified as remuneration by HMRC (travel to and from Company meetings and the related accommodation), so added to emoluments in the month they are paid.

3. Pensions benefits comprise payments made into the Company’s non-contributory group personal pension (money purchase) scheme, plus taxable payments made in lieu of a pension contribution entitlement.

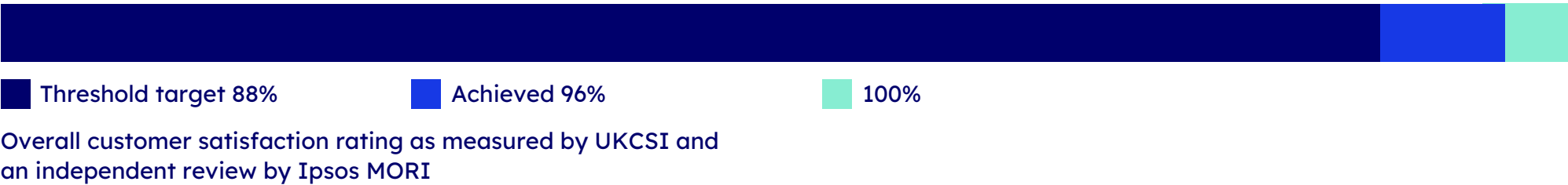
4. Bonus reflects the proportion of the annual award (50%) that is payable for the current year. The remaining 50% is deferred for a period of three years.

5. This reflects the vesting of deferred bonuses awarded in December 2019 and released in December 2022. (Prior year: reflects the vesting of deferred bonuses awarded in December 2018 and released in December 2021 and £65k for Matthew Hamilton-James in respect of the 25% of the FY2020 award which was deferred until October 2021).

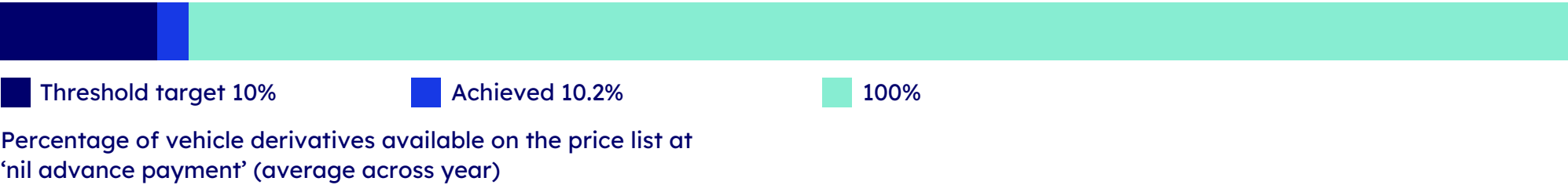
FY2023 performance outcomes

Performance against the minimum threshold performance criteria is set out below. With the actual performance exceeding the minimum threshold targets, the Remuneration Committee was satisfied that the performance-related payments could be considered for the Executive Directors.

Customer satisfaction



Car derivatives at nil advance payment



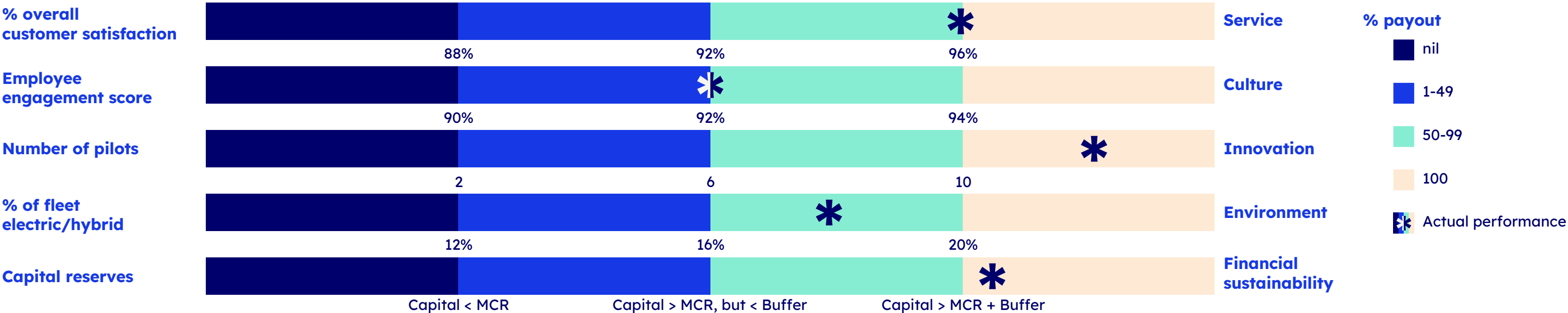
Renewal rate





Performance against corporate objective targets

With the minimum threshold targets having been met, the Remuneration Committee considered performance against the corporate objectives set out below. A total potential award of 50% of base salary is achievable for delivery in full against these targets, with a potential 10% attributable to each of the five measures set out below:



Customer satisfaction: 10% award

Customer service is measured through an independent review by Ipsos MORI which is commissioned jointly by Motability Operations and the Motability Foundation. The survey measures feedback across a comprehensive range of customer touchpoints. The April 2023 survey showed 96% overall customer satisfaction and is considered a positive validation of the focused efforts across the organisation, particularly given the backdrop of the ongoing supply-side challenges and pressure on pricing due to higher costs of electric vehicles.

Employee engagement: 5% award

Employee engagement is measured via an independent employee survey conducted by Willis Towers Watson with results benchmarked against a pool of UK high performing companies. The employee engagement score for 2023 was 92%. This outcome is significantly above the survey’s ‘High-Performing Organisation’ benchmark, and is unchanged from the result in 2022.

Number of pilots: 10% award

As set out on page 3, the third pillar of Motability Operations’ strategy is to focus on developing new products for our customers. In 2022 we established an Innovation team, tasked with exploring opportunities and mobilising a series of pilots in partnership with a number of innovative businesses with the aim of developing customer-driven solutions to newly emerging challenges such as digital information about accessible charging. This formed part of executive performance criteria to drive a culture and mindset around innovation. During 2023, 13 pilots were launched.

Environment: 5% award

In line with Motability Operations’ commitment to support the transition to electric vehicles, a new corporate objective targeting the electric and hybrid fleet composition was introduced in 2022. However, despite significant investment to support electric vehicle pricing and customer financial support measures with the introduction of a New Vehicle Payment in 2023, supply-side constraints continued to frustrate product availability and lead times. At September 2023 17.6% of the fleet was electric/hybrid, which although an improvement on 12% of the fleet at September 2022, falls short of the 20% target.

Financial sustainability: 10% award

Capital levels were maintained above the MCR plus buffer throughout the year. This capital position has enabled Motability Operations to commit to the various customer investments outlined earlier in this report.

Given the performance levels delivered, the Committee approved a 40% payment out of a potential 50% against the corporate objectives.

Remuneration report continued

Performance against individual objectives

Having reviewed the performance of the CEO and CFO against the agreed range of individual targets, the Remuneration Committee agreed performance awards of 43% for Andrew Miller and 37% for Matthew Hamilton-James, out of a potential 50% award.

Future incentives – Summary table of amounts awarded but not yet receivable

|   | Date of awards | Performance period | Date receivable | Maximum vesting value £k | Value expected at vesting £k |
|---|----------------|--------------------|-----------------|--------------------------|------------------------------|
| Deferred bonuses                                |                |                    |                 |                          |                              |
| Future payments for current Executive Directors |                |                    |                 |                          |                              |
| Andrew Miller                                   | Oct 2021       | 2021-2024          | Dec 2024        | 108                      | 108                          |
|   | Oct 2022       | 2022-2025          | Dec 2025        | 170                      | 170                          |
|   | Oct 2023       | 2023-2026          | Dec 2026        | 184                      | 184                          |
| Matthew Hamilton-James                          | Oct 2020       | 2020-2023          | Dec 2023        | 130                      | 130                          |
|   | Oct 2021       | 2021-2024          | Dec 2024        | 146                      | 146                          |
|   | Oct 2022       | 2022-2025          | Dec 2025        | 133                      | 133                          |
|   | Oct 2023       | 2023-2026          | Dec 2026        | 138                      | 138                          |
| Future payments for former CEO                  |                |                    |                 |                          |                              |
| Mike Betts                                      | Oct 2020       | 2020-2023          | Dec 2023        | 143                      | 143                          |

All of the above are subject to malus and clawback provisions.

Deferred bonuses cannot increase in value. However, they can reduce in value depending on performance criteria.

Whilst Mike Betts’ tenure as CEO ended on 31 March 2020, under the terms of the Executive Director bonus scheme, he continues to receive amounts earned in previous years but where payment was deferred for three years. His final deferred payment is made in December 2023.

Non-Executive Directors’ remuneration

The Non-Executive Chairman and the Independent Directors receive a base annual fee which reflects their expected time commitment. In addition, the Independent Directors receive fees for chairing the Audit Committee and the Remuneration Committee.

The remuneration for the Non-Executive Chairman, the Senior Independent Director and the Independent Non-Executive Directors typically changes in line with overall changes implemented for employees.



Remuneration report continued

Total remuneration

The table below summarises the total remuneration for the Group Executive Directors and Independent Non-Executive Directors of Motability Operations Group plc in line with the Remuneration Policy.

| £'k                                 | Salary/Fee |      | Benefits <sup>1</sup> |      | Expenses reimbursed in performance of duties <sup>2</sup> |      | Pension <sup>3</sup> |      | Bonus <sup>4</sup> |      | Vesting of deferred bonuses and long-term incentives <sup>5</sup> |      | Total |      |
|-------------------------------------|------------|------|-----------------------|------|---|------|----------------------|------|--------------------|------|---|------|-------|------|
|                                     | 2023       | 2022 | 2023                  | 2022 | 2023  | 2022 | 2023                 | 2022 | 2023               | 2022 | 2023  | 2022 | 2023  | 2022 |
| Executive Directors                 |            |      |                       |      |   |      |                      |      |                    |      |   |      |       |      |
| Andrew Miller                       | 439        | 421  | 21                    | 19   | -   | -    | 66                   | 63   | 184                | 170  | -   | -    | 710   | 673  |
| Matthew Hamilton-James              | 358        | 340  | 17                    | 16   | -   | -    | 54                   | 51   | 138                | 133  | 142   | 197  | 709   | 737  |
| Former Executive Director           |            |      |                       |      |   |      |                      |      |                    |      |   |      |       |      |
| Mike Betts^                         | -          | -    | -                     | -    | -   | -    | -                    | -    | -                  | -    | 275   | 336  | 275   | 336  |
| Independent Non-Executive Directors |            |      |                       |      |   |      |                      |      |                    |      |   |      |       |      |
| Sir Stephen O’Brien (Chairman)      | 161        | 156  | -                     | -    | 8   | -    | -                    | -    | -                  | -    | -   | -    | 169   | 156  |
| Neill Thomas                        | 79         | 77   | -                     | -    | 1   | -    | -                    | -    | -                  | -    | -   | -    | 80    | 77   |
| Ruth Prior                          | 69         | 67   | -                     | -    | -   | -    | -                    | -    | -                  | -    | -   | -    | 69    | 67   |
| Peter Pritchard                     | 54         | 4    | -                     | -    | -   | -    | -                    | -    | -                  | -    | -   | -    | 54    | 4    |
| Ruth Owen                           | 53         | 51   | -                     | -    | -   | -    | -                    | -    | -                  | -    | -   | -    | 53    | 51   |
| Alison Hastings                     | 53         | 51   | -                     | -    | 2   | 2    | -                    | -    | -                  | -    | -   | -    | 55    | 53   |
| Simon Minty                         | 54         | 52   | -                     | -    | -   | -    | -                    | -    | -                  | -    | -   | -    | 54    | 52   |
| Chris Davies                        | 54         | 52   | -                     | -    | -   | 1    | -                    | -    | -                  | -    | -   | -    | 54    | 53   |

1. Benefits include car allowance, private medical cover, life assurance and travel insurance.

2. Certain expenses reimbursed relating to the performance of a Director’s duties are classified as remuneration by HMRC (travel to and from Company meetings and the related accommodation), so added to emoluments in the month they are paid.

3. Pensions benefits comprise payments made into the Company’s non-contributory group personal pension (money purchase) scheme, plus payments made in lieu of pensions where the Director has opted to take taxable income instead of pension contribution entitlements.

4. Bonus reflects the proportion of the annual award (50%) that is payable for the current year. The remaining 50% is deferred for a period of three years.

5. This reflects the vesting of deferred bonuses awarded in December 2019 and released in December 2022. (Prior year: reflects the vesting of deferred bonuses awarded in December 2018 and released in December 2021 and £65k for Matthew Hamilton-James in respect of the 25% of the FY2020 award which was deferred until October 2021).

All Directors served throughout each year unless marked ^.

Of the Board’s Non-Executive Directors, only the Chairman and Independent Non-Executive Directors receive remuneration.

Membership of the Remuneration Committee

Members of the Remuneration Committee are appointed by the Group Board, on the recommendation of the Nomination Committee and in consultation with the Chair of the Remuneration Committee. The majority are Independent Non-Executive Directors. During 2023 the Committee members were Neill Thomas, who chaired the Committee, Daniel Meredith Jones, Sir Stephen O’Brien, Ruth Prior, Simon Minty, Chris Davies, Alison Hastings and Peter Pritchard. Having chaired the Remuneration Committee since 2015, Neill Thomas is due to step down as Chair in March 2024 and will be succeeded by Chris Davies.

The CEO and Chief People Officer (CPO) attend the Committee meetings (but are absent for any discussion about their own remuneration). The HR Reward and Policy Manager acts as secretary to the Committee. The CPO provides subject matter expertise to the Committee as required in its consideration and application of the Company’s Remuneration Policy. Individuals are not involved in any discussions or decisions which directly relate to their own performance or remuneration.

Remuneration Policy

Responsibilities of the Remuneration Committee

The Remuneration Committee has delegated authority from the Group Board to review and approve, for Motability Operations Group plc and its subsidiaries:

- The overall positioning of competitive remuneration with reference to market data
- Base salaries and increases for the Executive
- Design, terms and eligibility of performance-related pay schemes including annual awards and any long-term incentives
- Whether any circumstances exist which would result in the need to withhold or claw-back any element of variable pay
- The policy for pension arrangements and other benefits for the Executive
- The remuneration arrangements on appointment of a new Executive, including any buy-out awards (if applicable)
- The policy on exit payments for the Executive and the remuneration terms of exit on departure of the Executive
- The broad policy for the remuneration of all employees, the implementation of which is delegated to the Executive
- Oversight of the pay gap reporting in accordance with the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017. The sixth pay gap report, highlighting a mean gender pay gap of 23.6% compared to 25.1% the previous year, was published in March 2023. In the year, we changed our reporting cycle to provide the most recent data, publishing our 2023 report in July. This reported a mean gender pay gap of 24.9%; whilst we have a gender balance in senior roles, our pay gap continues to be driven by gender imbalance influenced by a higher proportion of males in technical roles, and a large proportion of females in customer service roles. Read more in the Our people section on pages 24-27.

- Following each Remuneration Committee meeting, the Committee reports to the Group Board and works closely with the Audit and Nomination Committees. The terms of reference of the Remuneration Committee are reviewed annually and approved by the Group Board.
- The effectiveness of the Committee is evaluated at least every two years. A review was undertaken in October 2022 with positive feedback being received from the Committee members concluding that the Committee was effective and had discharged all its duties and responsibilities. A further review will be undertaken in October 2024.

Advisers

The Committee draws on the expertise of external independent specialists for benchmarking, advice on best practice and to confirm that a well-governed process is applied. In accordance with the Remuneration Policy which states that the remuneration advisers should be reviewed every three years, a review took place in 2020 which resulted in Deloitte being awarded the role.

A review of the remuneration advisors is due in FY2024 and in light of the forthcoming change of Remuneration Committee Chair in March 2024, the Committee agreed that the new Chair, Chris Davies, should lead such review.



Activities of the Remuneration Committee during the year

The Committee met five times in the financial year ending 30 September 2023 and its main activities during the year were to:

- Review and agree any changes to Executive base salaries and annual performance-related payments
- Consider whether any of the underpinning conditions relating to the release of the Executive deferred bonus payments apply
- Review Executive remuneration ranges with reference to market data
- Review and agree the remuneration packages for new Executive team roles
- Review the overall remuneration structure of Executive roles to ensure it remains competitive and fit for purpose
- Review and agree any annual salary increase for employees and payment of performance-related bonuses
- Review pension and benefits
- Review the pay gap report
- Review the Chairman’s and Independent Non-Executive Directors’ fees
- Review the Remuneration Policy to ensure best practice
- Review the Committee’s terms of reference

Executive Remuneration Policy

The Group’s policy is to establish and maintain levels of pay and benefits which facilitate the achievement of its objectives. The Group regularly reviews its remuneration against the market to ensure that it is competitive over the long term, is able to attract talent, and incentivises and encourages retention, whilst at the same time ensuring it does not encourage inappropriate behaviours and actions. Remuneration is very clearly linked to overall business strategy, with Group targets set in the context of both annual and longer-term strategic objectives. Individual objectives are aligned to the achievement of the Group’s annual objectives (both financial and non-financial), the delivery of the strategic agenda and the demonstration of core values.

Personal objectives account for 50% of performance-related payments. The Group’s culture is regarded as central to delivering excellent performance and based on our Company values of:

- We find solutions
- We drive change
- We care

The performance of the Group, its culture and the risks facing the organisation are regularly considered when the Board and the Remuneration Committee address remuneration matters.

Leaving and joining arrangements for Executive Directors

The CEO and CPO work with the Remuneration Committee to ensure that contractual terms on termination, and payments made, are fair to the individual and the Group and failure is not rewarded. The remuneration for a new Executive (whether recruited externally or promoted from within the business) will be based on the experience of the individual and market comparatives for the role and its responsibilities and will be consistent with the Remuneration Policy when determining each element of remuneration.

Other matters

Equal and fair pay

The Group’s Remuneration Policy recognises equal pay. The Group is also committed to paying at least at the level of the current Living Wage (as calculated by the Living Wage Foundation) for an individual’s base location.

Employees

A key underlying principle is that, as far as practicable and appropriate, decisions in relation to pay and reward for the Executive should be applied consistently with the application to other employees.

Non-executive appointments at other companies

The Group considers that the release of Executives to serve as non-executive directors elsewhere can be beneficial as part of their ongoing development, enabling Executives to broaden their experience and expertise. Any potential appointments are reviewed and agreed by the Nomination Committee. Under the Group’s Remuneration Policy Executives may retain any fees received for non-executive activities.

Basis of employment

All employees (including Executive and Independent Non-Executive Directors) are paid through payroll, with payments being subject to PAYE and National Insurance contributions as appropriate. The Group does not make use of service contracts.



Neill Thomas  
Chair of the Remuneration Committee

# Other statutory information

## Non-financial and sustainability information

We aim to comply with the new Non-Financial Reporting requirements contained within sections 414CA and 414CB of the Companies Act 2006. We believe that disclosure of non-financial information is fundamental to understanding how we evaluate the impact of different social, environmental and ethical issues and delivering a sustainable business for all our stakeholders.

We have a range of policies and guidance to assess performance and progress in delivering positive outcomes for stakeholders.

[Read more about climate-related financial discloses on pages 51 to 54](#)

## Impact and sustainability

As a purpose-driven business, we are committed to delivering more for our customers and broader stakeholders. We continue to take a proactive approach to emissions and seek to provide our customers with relevant information to support their decision when selecting a vehicle appropriate to their needs; further detail is available on pages 37 to 39. We also seek to minimise the footprint of our work environment (see page 84 for details of initiatives and SECR).

We actively embrace our environmental, social and governance obligations and recognise that the calibre and commitment of our people is key to our success, requiring a working environment that promotes collaboration and supports diversity, inclusivity, personal development and respect. Our approach and key initiatives are described in further detail on page 58 within our corporate governance reporting.

## Human rights

We aspire to conduct business in a way that values and respects the individual rights of all stakeholders we work with. We are committed to building our employees’ and suppliers’ knowledge and awareness of human rights, encouraging them to speak up about any concerns without fear of retribution.

Motability Operations has the following policies readily accessible to all employees:

- Information Security & Data Protection Policy together with Data Privacy Notices, Modern Slavery Statement, Whistleblowing Policy, Pre-employment vetting guidelines, Anti-Money Laundering and Bribery & Fraud Policy.

We are committed to the highest standards of ethics, honesty and integrity. Our Anti-Money Laundering and Bribery & Fraud Policy outlines the expected standard of conduct that employees, contractors, suppliers, business partners and third parties are obliged to follow. In addition, our Gifts and Entertainment Policy includes detailed procedures around the giving and receiving of gifts, hospitality and entertainment.

## Customer service and complaints handling

We are committed to delivering excellent customer service.

- In 2023, the UK Institute of Customer Service (UK ICS) rated Motability Operations as the highest-performing organisation in the UK with regard to customer service, achieving 89.6%
- Our latest Customer Satisfaction Index (CSI) survey shows that customers rate Motability Operations 8.6 out of 10 for overall satisfaction with Customer Services
- Our customer services teams are UK based and can be reached via a low-cost 0330 number
- The vast majority of calls/enquiries are resolved at the first point of contact
- For issues that cannot be resolved at first point of contact, a team of Account Managers is ready to assist.

## Customer service data

During the year ending 30 September 2023, our customer services team handled 1,096,722 customer calls.

Motability Operations has a customer base of circa 710,000



Other statutory information continued

Our approach to complaints

Customers, and delivering positive outcomes for them, are at the heart of everything that we do. However, if things go wrong, we encourage our customers to tell us in order that we can put things right as quickly as possible.

We have robust processes in place to ensure we handle all complaints fairly and in a timely manner.

In the UK, the Financial Conduct Authority (FCA) requires consumer credit firms with limited permissions to report on the number of FCA reportable complaints they receive on an annual basis, in line with the firm’s financial reporting period. Motability Operations’ financial reporting period is 1 October to 30 September.

The figure below represents the number of FCA reportable customer complaints received in the year.

| Period covered                     | Volume of complaints |
|------------------------------------|----------------------|
| 1 October 2022 – 30 September 2023 | 2184                 |

The lessons learnt from complaints are invaluable to us and we use these to inform our decision-making and to improve our processes and customer service.

There are a number of ways we look to ensure that we bring about service and/or process improvements (if necessary) as a result of dealing with complaints. These include, but are not limited to:

- ensuring that we have both a proactive and reactive approach to service improvement activity
- ensuring that we can and do make process changes following individual complaints
- using our root cause analysis programme to review high-volume complaint areas and look to reduce where we can/prevent where we can/educate customers where we can
- encouraging employees to suggest ideas for service or process improvement, whether linked to a complaint or not

Customer satisfaction levels with our complaints handling

We use customer satisfaction surveys to ask customers how we handled their complaint. In April 2023 we contacted a representative sample of customers who had complained to us between December 2022 and February 2023. They rated us with an overall score of 8.1 out of 10 for our complaint handling.

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.

|  | Current reporting year<br>01/10/2022 – 30/09/2023          | Comparison reporting year<br>01/10/2021 – 30/09/2022 |
|--|--|--|
| Emissions from activities which the company owns or controls including combustion of fuel & operation of facilities (Scope 1)/tCO <sub>2</sub> e | 245.06   | 335.10   |
| Emissions from purchase of electricity, heat, steam and cooling purchased for own use (Scope 2, location-based)/tCO <sub>2</sub> e               | 786.49   | 718.58   |
| Total gross Scope 1 & Scope 2 emissions/tCO <sub>2</sub> e   | 1,031.56   | 1,053.68   |
| Energy consumption used to calculate above emissions: kWh  | 5,135,785  | 5,235,305  |
| Intensity ratio  | 0.044  | 0.045  |
| Methodology  | Total gross CO <sub>2</sub> e/ square meter of floor space |  |

Note: FY22 figures have been restated due to new consumption data becoming available and is now aligned with the methodology used to calculate our wider carbon footprint using independent climate consultancy, EcoAct.

Energy efficiency actions

We are committed to responsible energy management and will practice energy efficiency throughout our organisation, wherever it is cost effective. We recognise that climate change is one of the most serious environmental challenges currently threatening the global community and we understand we have a role to play in reducing greenhouse gas emissions.

- Actions we have taken include in 2023 are:
- Installation of voltage optimisers in 2 of our Bristol offices
  - Implemented IM Serve – Data Vision to monitor our energy usage at each building across the estate, allowing us to identify any problem areas
  - We have renewed with the REGO scheme to certify our procurement of renewable energy
  - Removed disposable cups from the business to avoid emissions from production, transportation and waste.

**Methodology**

The methodology used in the calculation of disclosures:

All emissions have been converted and expressed in terms of their carbon dioxide equivalent using the UK Government GHG Conversion factors.

**Proposed dividend**

In accordance with the Shareholders’ Agreement, the ordinary shareholding carries no rights to income.

**Directors’ indemnity**

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained Directors’ and Officers’ liability insurance throughout the financial year.



# Directors' report

## Directors' report

The Directors present their Annual Accounts and Reports for the year ending 30 September 2023. The report must be read in conjunction with the Strategic report on pages 2 to 56, the Chairman's statement on pages 5-6 and the Chief Executive review on pages 10-12.

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 at [www.frc.org.uk](http://www.frc.org.uk).

## Engagement with employees

Our employees are the key to our success and we strive to ensure all employees feel that they have a say in how we run the business. Our engagement with employees is achieved in a number of ways: the employee forum, where elected employee representatives and senior management meet regularly to ensure two-way sharing of ideas and questions; the networking groups, which comprise the Gender, Pride, enAble and REACH Networks; via Simon Minty, in his capacity as Designated Non-Executive Director to engage with employees and feed back to the Board. In addition, we conduct an all-employee survey that benchmarks us against High-Performing Organisations, which allows employees to make anonymous comments on both their immediate teams and managers, together with the Company as a whole. We also periodically conduct pulse surveys on such issues as diversity and inclusion.

## Supplier engagement

We work closely with our service providers to ensure that they maintain our required standards, and routinely carry out supplier reviews to monitor performance against key performance indicators, ensuring that suppliers implement action plans where necessary. We include insurance, roadside assistance and tyre replacement services on our Customer Satisfaction Index, enabling us to benchmark and align the performance of every provider.





# Directors’ responsibilities statement

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements, in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards, and applicable law, and have elected to prepare the parent Company financial statements on the same basis.

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 Group and parent Company, and of their profit or loss for that period. In preparing each of the Group and parent Company 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 Group and parent 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 Group or the parent 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 parent Company’s transactions and disclose, with reasonable accuracy at any time, the financial position of the parent Company, and enable them to ensure that its financial statements comply with the Companies Act 2006.

They are responsible for such internal control that 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 Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors’ Report and Corporate Governance Statement that comply with the law and regulations.

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.

## Responsibility statement of the Directors in respect of the annual financial report

We confirm to the best of our knowledge that:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the undertakings included in the consolidation taken as a whole; and
- the strategic report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

## Going concern

The Directors are satisfied that the Group 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. In addition to the going concern statement, the 2023 Annual Report and Accounts includes a viability statement. This can be found on page 50 of this report.

## Independent auditor

The auditor, KPMG LLP, have indicated their willingness to continue in office and a resolution to reappoint them for the next financial year will be proposed at the Annual General Meeting.

## Directors

Stephen O’Brien, Chris Davies, Dan Fairclough, Matthew Hamilton-James, Alison Hastings, Michael Hordley, Daniel Meredith Jones, Andrew Miller, Simon Minty, Ruth Owen, Ruth Prior, Peter Pritchard, Neill Thomas and Rob Whittick served as Directors throughout the year. Simon Amess, Peter Lord, David Mudie and Jayne Seaford served as alternate Directors throughout the year.

## Directors’ interests

No Directors have any share interest in the Group, nor any material interest in any contract entered by the Group.

## Disclosure of information to auditor

The directors who held office at the date of approval of this directors’ report confirm that, so far as they are each aware, there is no relevant audit information of which the Company’s auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company’s auditor is aware of that information.

Signed by order of the Board



**Jo Pentland**  
Group Company Secretary

13 December 2023

# Independent auditor’s report

## to the members of Motability Operations Group plc

1. Our opinion is unmodified

We have audited the financial statements of Motability Operations Group plc (“the Company”) for the year ended 30 September 2023 which comprise the Group income statement, Group statement of comprehensive income, the Group and Company balance sheets, the Group and Company statements of cash flow, and the 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 Group’s and of the parent Company’s affairs as at 30 September 2023 and of the Group’s profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006 ;
- and the financial statements 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 believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the shareholders on 6 March 2019. The period of total uninterrupted engagement is for the 5 financial years ended 30 September 2023. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to public interest entities. No non-audit services prohibited by that standard were provided.

| Overview                      |  |   |
|-------------------------------|--|---|
| Materiality:                  | £36.0m (2022: £33.0m)                                  |   |
|                               | group financial statements as a whole                  | 0.7% (2022: 0.7%) of total revenue          |
| Coverage                      |  | 100% (2022:100%) of group profit before tax |
| Key audit matters             |  | vs 2022                                     |
| Recurring risks of the Group  | Residual values of used cars                           | <>  |
|                               | Valuation of incurred but not reported (IBNR) reserves | <>  |
| Recurring risks of the Parent | Recoverability of parent Company's loan to subsidiary  | <>  |



2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters (unchanged from 2022), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

| The risk  |  | Our response   |
|---|--|--|
| <b>Residual value of used cars</b><br><br>Refer to page 70 (Audit Committee Report), page 101 (accounting policy) and page 115 (financial disclosures). | <b>Subjective estimate:</b><br><br>The Group leases a fleet of cars to customers which are held as operating leases. These cars are depreciated to their residual value over the life of the operating lease.<br><br>The residual values are set at the start of each lease, based on a model that takes into account a number of variables and assumptions. These are an estimate of the value that would currently be obtained on disposal at the end of the lease if the cars were already of the age and condition at the end of the lease.<br><br>Every six months, the Group reviews the residual values for the fleet, and if appropriate, updates these to represent their current best estimate, based upon the latest available information.<br><br>There are a number of elements to the Group’s estimation that require judgement, such as the impact of past events and the expected condition of the vehicle at the end of the lease, that collectively create significant uncertainty in the estimation of residual values. There continues to be a high degree of uncertainty and therefore subjectivity in the assumptions as a result of the uncertainties arising from the current high-inflation environment, ESG led cultural shifts, ongoing conflict in Ukraine and lasting economic impact of COVID-19.<br><br>The change in estimate of residual values of used cars impacts the amount of depreciation recognised over the life of the lease as follows: <ul style="list-style-type: none"><li>– An upwards revision of residual value estimates leads to the recognition of a lower depreciation charge for the year and in future years;</li><li>– A downwards revision of residual value estimates leads to the recognition of a higher depreciation charge for the year and in future years</li></ul><br>The effect of these matters is that, as part of our risk assessment, we determined that the residual value of used cars has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. | <p>Our procedures included:</p> <ul style="list-style-type: none"><li>– <b>Historical comparisons:</b> We assessed the Group’s historical forecasting performance, comparing the Group’s residual value forecasts to the actual re-sale value of different cohorts of cars;</li><li>– <b>Benchmarking assumptions:</b> We assessed the Group’s forecasts against alternative industry benchmarks such as the CAP index;</li><li>– <b>Our economics expertise:</b> We involved our own economic specialists to assist us in assessing the appropriateness of the Group’s forecast used car prices. We assessed the overall reasonableness of the forecasts by comparing these to our own independent forecast used car prices. As part of this work, our economics specialists also assessed management’s assumptions over the macroeconomic outlook and assessed the reasonableness of the Group’s considerations of the economic uncertainty arising at the reporting date;</li><li>– <b>Test of detail:</b> We calculated our own range for the estimate, by assessing the variability used in car sales data experienced by the Group. We focused on similar transactions, carried out at similar points in time, such that we were able to narrow this range to only reasonable values. We compared the Group’s estimate to our range, and assessed the Group’s rationale for the point estimate chosen; and</li><li>– <b>Assessing transparency:</b> We assessed whether the disclosures appropriately reflect and addressed the uncertainty which exists when determining the residual value of used cars. As a part of this, we assessed the sensitivity analysis that is disclosed.</li></ul> <p><b>Our results</b></p> <p>We found the resulting estimate of the residual values of used cars and the related disclosures to be acceptable (2022 result: acceptable).</p> |

| The risk  |   | Our response   |
|---|---|--|
| <p><b>Valuation of incurred but not reported (IBNR) reserves</b></p> <p>Refer to page 70 (Audit Committee Report), page 106 (accounting policy) and page 122 (financial disclosures).</p> | <p><b>Subjective estimate:</b></p> <p>The valuation of IBNR reserves is an area requiring significant judgement in the Group financial statements. Valuation of these liabilities is highly judgemental as it requires a number of assumptions to be made that have high estimation uncertainty and can have material impacts on the valuation. Further, valuation of these liabilities involves selection of appropriate methods and involves complex calculations.</p> <p>The key assumptions used to value the IBNR reserves are expected loss ratios, which depend on estimates of the frequency and severity of claims, including the post COVID-19 impacts on claims development, and, for the latter, inflation. Certain areas of the IBNR contain greater uncertainty, for example third party bodily injury claims exhibit greater variability and are more long tailed than the damage classes.</p> <p>Similar estimates are required in establishing the reinsurers’ share of insurance provisions, in particular share of IBNR claims.</p> <p>The IBNR reserve forms part of the provision for insurance claims outstanding which includes an actuarial best estimate (‘ABE’) and a margin to make allowance for risks and uncertainties that are not specifically allowed for in establishing the ABE. The appropriate margin to recognise is a subjective judgement and estimate taken by the Directors, based on the perceived uncertainty and potential for volatility in the underlying claims.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that the valuation of IBNR reserves has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.</p> | <p>Our procedures included:</p> <ul style="list-style-type: none"><li>– <b>Independent re-performance:</b> We carried out alternative projections of the gross and net IBNR reserve balances using standard actuarial methods;</li><li>– <b>Sector experience and benchmarking:</b> We compared the assumptions, reserving methodologies and estimates of gross and net IBNR (of reinsurance) losses to expectations based on the Group’s historical experience, current trends, externally derived data and benchmarking against industry trends including information relating to recently introduced legislation that may affect claims settlement;</li><li>– <b>Margin evaluation:</b> We evaluated the appropriateness of the margin applied to the actuarial best estimate. In order to do this we assessed the Directors’ approach to, and analysis performed, in setting the margin with respect to recognised actuarial methods. In particular, we considered the allowance for uncertainties inherent in the data and assumptions in developing the actuarial best estimate through inquiry with the Directors and with respect to our understanding of any changes in the Group’s risks and our own sector experience of approaches to setting the margin and the level of margin held by the Groups peers;</li><li>– <b>Actuarial experts:</b> We engaged KPMG UK Actuary Specialists to review and challenge the work performed by AON as well as KPMG Isle of Man engaged Actuary Specialists; and</li><li>– <b>Assessing transparency:</b> We assessed the appropriateness of the accounting policy and disclosures relating to valuation of IBNR reserves. As a part of this, we assessed the sensitivity analysis that is disclosed.</li></ul> <p><b>Our results</b></p> <p>We found the resulting estimate of the valuation of IBNR reserves and the related disclosures to be acceptable (2022 result: acceptable).</p> |
| <p><b>Recoverability of parent Company’s loan to subsidiary</b></p> <p>Refer to page 101 (accounting policy) and page 118 (financial disclosures).</p>                                    | <p><b>Low risk, high value</b></p> <p>The carrying amount of the parent Company’s loan to subsidiary represents 95.9% (2022: 86.8%) of the Company’s total assets.</p> <p>The recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to the materiality in the context of the Parent Company financial statements, this is considered to be the area that had the greatest effect on our overall parent Company audit.</p>  | <p>We performed the tests below rather than seeking to rely on any of the Group’s controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described:</p> <ul style="list-style-type: none"><li>– <b>Test of detail:</b> We have assessed 100% of the loans to Group companies to identify, with reference to the relevant subsidiary draft balance sheet, whether it has a positive net asset value and therefore coverage of debt owed, as well as assessing whether the subsidiary has historically been profit-making.</li></ul> <p><b>Our results</b></p> <p>We found the Group’s assessment of the recoverability of parent Company’s loan to subsidiary acceptable (2022 result: acceptable).</p>   |



Independent auditor’s report continued

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £36.0m (2022: £33.0m), determined with reference to a benchmark of Group total revenue, of which it represents 0.7% (2022 0.7% of Group total revenue). We consider total revenue to be the most appropriate benchmark as it provides a more stable measure year on year than group profit before tax.

Materiality for the parent Company financial statements as a whole was set at £23.0m (2022: £23.0m), determined with reference to a benchmark of Company total assets, of which it represents 0.31% (2022: 0.34%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 75% (2022: 65%) of materiality for the financial statements as a whole, which equates to £27.0m (2022: £21.4m) for the Group and £17.2m (2022: £14.9m) for the parent Company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £1.8m (2022: £1.6m) for the Group and £1.2m (2022: £1.1m) for the Company, in addition to other identified misstatements that warranted reporting on qualitative grounds.

We subjected all three (2022: three) of the Group’s reporting components to full scope audits for group purposes. The components within the scope of our work accounted for 100% of Group revenue, profit before tax and total assets.

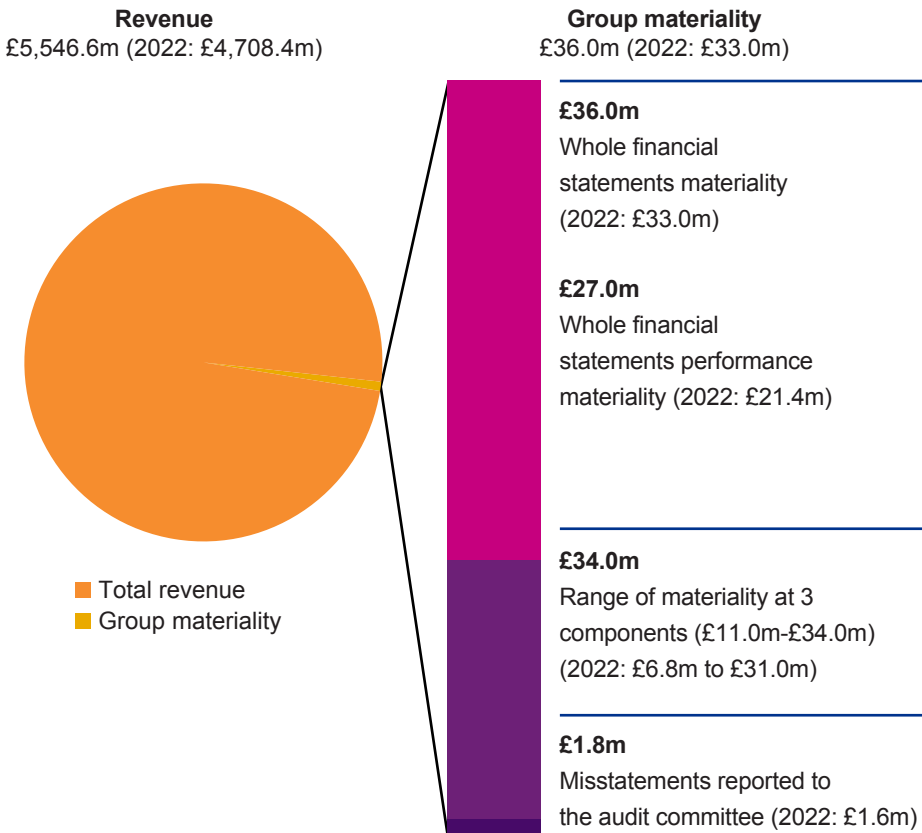
The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the following component materialities, having regard to the mix and size of risk profile of the Group across the components:

- Motability Operations Group plc: £23.0m (2022: £23.0m)
- MO Reinsurance Limited: £11.0m (2022: £8.0m)
- Motability Operations Limited: £34.0m (2022: £31.0m)

The audit work of MO Reinsurance Limited was performed by a component auditor. The audit work of the other two components was performed by the Group team.

The Group team inspected the audit work of the component auditor to assess the audit risk and strategy. The Group team also performed a site visit to the component auditor, meetings were held as the audit progressed and the Group auditor attended the Audit Committee meetings of the components. At these meetings, the findings reported to the Group team were discussed in more detail and any further work required by the Group team was then performed by the component auditor.

We were able to rely upon the Group’s internal control over financial reporting in several areas of our audit, where our controls testing supported this approach, which enabled us to reduce the scope of our substantive audit work; in the other areas the scope of the audit work performed was fully substantive.



4. Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group’s and 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 their 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”).

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to the Group’s and the Company’s business model and how those risks might affect the Group’s and Company’s financial resources or ability to continue operations over the going concern period. The risks most likely to adversely affect the Group’s and Company’s available financial resources over this period are as follows:

- Reduced disposal proceeds from operating leases resulting from lower fleet growth;
- Economic uncertainty impacting the fleet valuations; and
- The ability to raise further financing should it be required.

We considered whether these risks could plausibly affect the liquidity and covenant compliance in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources and covenants indicated by the Group’s financial forecasts.

We considered whether the going concern disclosure in note 2 to the financial statements gives a full and accurate description of the Directors’ assessment of going concern.

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 Group’s or Company’s ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in note 2 to be acceptable.

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 Group or the Company will continue in operation.

5. 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 Group’s high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group’s channel for “whistleblowing”, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board, Audit Committee, and Financial Risk Management Committee meeting 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. This included communication from the Group audit team to the component audit team of relevant fraud risks identified at the Group level, and request for the component audit team to report to the Group audit team any instances of fraud that could give rise to a material misstatement at the Group level.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that Group and component management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as residual value of used cars and valuation of IBNR reserves. 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 fraud risks in relation to residual value of used cars and valuation of IBNR reserves due to the significant judgement involved in these estimates. Further detail in respect of these areas is set out in the key audit matter disclosures in section 2 of this report.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. An example of our high risk criteria is journal entries posted to seldom used accounts.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

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, through discussion with the Directors and other management (as required by auditing standards), and from inspection of the Group’s regulatory and legal correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group 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 . This included communication from the Group audit team to the component audit team of relevant laws and regulations identified at the Group level, and a request for the component auditor to report to the Group audit team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at the Group level.

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

Firstly, the Group 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 Group 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 the Group’s license to operate. We identified the following areas as those most likely to have such an effect: regulatory capital and regulatory compliance, recognising the financial and regulated nature of the Group’s activities and its legal form and also recognising that there are operations of the Group authorised and regulated by the Isle of Man Financial Services Authority.

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.



Independent auditor’s report continued

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

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

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these 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.

6. We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information 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 other information.

Strategic report and directors’ report

Based solely on our work on the other information:

- 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.

7. We have nothing to report on the other 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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors’ remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

8. Respective responsibilities

Directors’ responsibilities

As explained more fully in their statement set out on page 86, the directors are responsible for: the preparation of the financial statements including 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 Group and parent 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 Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor’s report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

9. 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 Canary Square  
Canary Wharf  
London  
E14 5GL

13 December 2023

# Financial statements

Annual Report and Accounts 2023

Motability  
Operations group plc



## Financial statements

# Income statement

For the year ended 30 September 2023

|   | Note | 2023<br>Group<br>£m | 2022<br>Group<br>£m |
|---|------|---------------------|---------------------|
| <b>Revenue</b>  | 4    | 5,547.6             | 4,708.4             |
| Net operating costs excluding charitable donations                          |      | (4,352.5)           | (3,192.9)           |
| Charitable donations  |      | (250.0)             | (200.1)             |
| <b>Net operating costs</b>  | 6    | (4,602.5)           | (3,393.0)           |
| <b>Profit from operations</b>   |      | 945.1               | 1,315.4             |
| Finance costs   | 9    | (197.1)             | (172.8)             |
| <b>Profit before tax</b>  |      | 748.0               | 1,142.6             |
| Taxation  |      |                     |                     |
| Taxation excluding the impact of changes in the UK corporation tax rate     | 10   | (100.2)             | (153.2)             |
| Remeasurement of deferred tax due to changes in the UK corporation tax rate | 10   | (43.2)              | (66.5)              |
| <b>Profit for the financial year</b>  |      | 604.6               | 922.9               |

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

The profit is non-distributable and held for the benefit of the Scheme.

# Statement of comprehensive income

For the year ended 30 September 2023

|   | Note | 2023<br>Group<br>£m | 2022<br>Group<br>£m |
|---|------|---------------------|---------------------|
| <b>Profit for the financial year</b>  |      | 604.6               | 922.9               |
| <b>Other comprehensive income – items that may be reclassified subsequently to profit or loss</b> |      |                     |                     |
| (Losses)/gains on movements in fair value of cash flow hedging derivatives                        | 25   | (155.9)             | 106.7               |
| Gains/(losses) on cash flow hedges reclassified to the income statement                           | 25   | 106.0               | (38.4)              |
| Tax relating to components of other comprehensive income  |      | 10.6                | (15.1)              |
| <b>Other comprehensive income for the year, net of tax</b>  |      | (39.3)              | 53.2                |
| <b>Total comprehensive income for the year</b>  |      | 565.3               | 976.1               |

The notes on pages 98 to 147 form an integral part of these financial statements

Financial statements continued

# Balance sheets

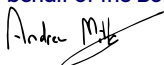
As at 30 September 2023

|  | Note | 2023<br>Group<br>£m | 2022<br>Group<br>£m | 2023<br>Company<br>£m | 2022<br>Company<br>£m |
|--|------|---------------------|---------------------|-----------------------|-----------------------|
| <b>Assets</b>                              |      |                     |                     |                       |                       |
| <b>Non-current assets</b>                  |      |                     |                     |                       |                       |
| Intangible assets                          | 11   | 49.9                | 73.9                | -                     | -                     |
| Property, plant and equipment              | 12   | 54.8                | 92.2                | -                     | -                     |
| Assets held for use in operating leases    | 13   | 11,721.4            | 9,564.5             | -                     | -                     |
| Financial assets at amortised cost         | 15   | 220.8               | 199.6               | -                     | -                     |
| Investment in subsidiaries                 | 16   | -                   | -                   | 110.9                 | 110.9                 |
| Loans to Group companies                   | 16   | -                   | -                   | 7,008.9               | 5,819.4               |
| Trade and other receivables                | 19   | 147.4               | 17.2                | 3.9                   | -                     |
| Derivative financial instruments           | 26   | 5.2                 | 46.6                | 5.2                   | 46.6                  |
| Deferred tax assets                        | 27   | -                   | -                   | -                     | -                     |
|  |      | 12,199.5            | 9,994.0             | 7,128.9               | 5,976.9               |
| <b>Current assets</b>                      |      |                     |                     |                       |                       |
| Corporation tax receivable                 |      | 73.9                | 23.2                | -                     | -                     |
| Inventories                                | 14   | 237.9               | 124.0               | -                     | -                     |
| Financial assets at amortised cost         | 15   | 98.2                | 80.6                | -                     | -                     |
| Cash and bank balances                     | 17   | 186.8               | 769.3               | 101.0                 | 640.0                 |
| Insurance receivables                      | 18   | 98.9                | 57.0                | -                     | -                     |
| Trade and other receivables                | 19   | 472.7               | 256.0               | 78.0                  | 1.9                   |
| Reinsurers' share of insurance provisions  | 24   | 524.1               | 488.9               | -                     | -                     |
| Derivative financial instruments           | 26   | 0.8                 | 87.6                | 0.8                   | 87.6                  |
|  |      | 1,693.3             | 1,886.6             | 179.8                 | 729.5                 |
| <b>Total assets</b>                        |      | 13,892.8            | 11,880.6            | 7,308.7               | 6,706.4               |
| <b>Liabilities</b>                         |      |                     |                     |                       |                       |
| <b>Current liabilities</b>                 |      |                     |                     |                       |                       |
| Corporation tax payable                    |      | -                   | -                   | -                     | -                     |
| Deferred rental income                     | 20   | (236.0)             | (203.1)             | -                     | -                     |
| Provision for customer rebates             | 21   | (32.7)              | (136.6)             | -                     | -                     |
| Insurance payables                         | 22   | (73.5)              | (52.5)              | -                     | -                     |
| Trade and other payables                   | 23   | (291.9)             | (183.9)             | -                     | (494.4)               |
| Provision for insurance claims outstanding | 24   | (738.8)             | (667.4)             | -                     | -                     |
| Financial liabilities                      | 25   | (296.0)             | (974.8)             | (186.0)               | (910.5)               |
| Derivative financial instruments           | 26   | -                   | -                   | -                     | -                     |
|  |      | (1,668.9)           | (2,218.3)           | (186.0)               | (1,404.9)             |
| <b>Net current assets/(liabilities)</b>    |      | 24.4                | (331.7)             | (6.2)                 | (675.4)               |
| <b>Non-current liabilities</b>             |      |                     |                     |                       |                       |
| Deferred rental income                     | 20   | (382.6)             | (259.1)             | -                     | -                     |
| Provision for customer rebates             | 21   | (24.0)              | (87.0)              | -                     | -                     |
| Financial liabilities                      | 25   | (6,791.9)           | (5,010.8)           | (6,774.3)             | (4,964.9)             |
| Derivative financial instruments           | 26   | (28.1)              | -                   | (28.1)                | -                     |
| Deferred tax liabilities                   | 27   | (575.4)             | (448.8)             | (4.2)                 | (14.7)                |
|  |      | (7,802.0)           | (5,805.7)           | (6,806.6)             | (4,979.6)             |
| <b>Total liabilities</b>                   |      | (9,470.9)           | (8,024.0)           | (6,992.6)             | (6,384.5)             |
| <b>Net assets</b>                          |      | 4,421.9             | 3,856.6             | 316.1                 | 321.9                 |
| <b>Equity</b>                              |      |                     |                     |                       |                       |
| Ordinary share capital                     | 28   | 0.1                 | 0.1                 | 0.1                   | 0.1                   |
| Hedging reserve                            |      | 12.9                | 52.2                | 12.5                  | 52.2                  |
| Restricted reserves*                       |      | 4,408.9             | 3,804.3             | 303.5                 | 269.6                 |
| <b>Total equity</b>                        |      | 4,421.9             | 3,856.6             | 316.1                 | 321.9                 |

\* Restricted reserves are retained for the benefit of the Scheme. As regards ordinary shareholders, 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.

Under section 408 of the Companies Act 2006, the Group has elected to take the exemption with regard to disclosing the Company income statement and statement of comprehensive income. The Company's profit for the financial year was £33.9m (2022: £23.6m), of which £nil (2022: £nil) was a result of dividends received from subsidiaries (see note 16).

These financial statements on pages 94 to 147 were approved by the Board of Directors on 13 December 2023 and signed on behalf of the Board.



**Andrew Miller**  
**Chief Executive**

Motability Operations Group plc  
Registered number 6541091

The notes on pages 98 to 147 form an integral part of these financial statements



# Statements of changes in equity

For the year ended 30 September 2023

| Group   | Ordinary share capital<br>£m | Hedging reserve<br>£m | Restricted reserves<br>£m | Total equity<br>£m |
|---|------------------------------|-----------------------|---------------------------|--------------------|
| <b>At 1 October 2021</b>  | 0.1                          | (1.0)                 | 2,881.4                   | 2,880.5            |
| <b>Comprehensive income</b>   |                              |                       |                           |                    |
| Profit for the year   | -                            | -                     | 922.9                     | 922.9              |
| <b>Other comprehensive income – items that may be reclassified subsequently to profit or loss</b> |                              |                       |                           |                    |
| Losses on movements in fair value of cash flow hedging derivatives                                | -                            | 106.7                 | -                         | 106.7              |
| Gains on cash flow hedges reclassified to the income statement                                    | -                            | (38.4)                | -                         | (38.4)             |
| Tax relating to components of other comprehensive income  | -                            | (15.1)                | -                         | (15.1)             |
| <b>Total comprehensive income</b>   | -                            | 53.2                  | 922.9                     | 976.1              |
| <b>At 1 October 2022</b>  | 0.1                          | 52.2                  | 3,804.3                   | 3,856.6            |
| <b>Comprehensive income</b>   |                              |                       |                           |                    |
| Profit for the year   | -                            | -                     | 604.6                     | 604.6              |
| <b>Other comprehensive income – items that may be reclassified subsequently to profit or loss</b> |                              |                       |                           |                    |
| Losses on movements in fair value of cash flow hedging derivatives                                | -                            | (155.9)               | -                         | (155.9)            |
| Gains on cash flow hedges reclassified to the income statement                                    | -                            | 106.0                 | -                         | 106.0              |
| Tax relating to components of other comprehensive income  | -                            | 10.6                  | -                         | 10.6               |
| <b>Total comprehensive income</b>   | -                            | (39.3)                | 604.6                     | 565.3              |
| <b>At 30 September 2023</b>   | 0.1                          | 12.9                  | 4,408.9                   | 4,421.9            |

| Company   | Ordinary share capital<br>£m | Hedging reserve<br>£m | Restricted reserves<br>£m | Total equity<br>£m |
|---|------------------------------|-----------------------|---------------------------|--------------------|
| <b>At 1 October 2021</b>  | 0.1                          | (1.0)                 | 246.0                     | 245.1              |
| <b>Comprehensive income</b>   |                              |                       |                           |                    |
| Profit for the year   | -                            | -                     | 23.6                      | 23.6               |
| <b>Other comprehensive income – items that may be reclassified subsequently to profit or loss</b> |                              |                       |                           |                    |
| Losses on movements in fair value of cash flow hedging derivatives                                | -                            | 106.7                 | -                         | 106.7              |
| Gains on cash flow hedges reclassified to the income statement                                    | -                            | (38.4)                | -                         | (38.4)             |
| Tax relating to components of other comprehensive income  | -                            | (15.1)                | -                         | (15.1)             |
| <b>Total comprehensive income</b>   | -                            | 53.2                  | 23.6                      | 76.8               |
| <b>At 1 October 2022</b>  | 0.1                          | 52.2                  | 269.6                     | 321.9              |
| <b>Comprehensive income</b>   |                              |                       |                           |                    |
| Profit for the year   | -                            | -                     | 33.9                      | 33.9               |
| <b>Other comprehensive income – items that may be reclassified subsequently to profit or loss</b> |                              |                       |                           |                    |
| Gains on movements in fair value of cash flow hedging derivatives                                 | -                            | (156.3)               | -                         | (156.3)            |
| Losses on cash flow hedges reclassified to the income statement                                   | -                            | 106.0                 | -                         | 106.0              |
| Tax relating to components of other comprehensive income  | -                            | 10.6                  | -                         | 10.6               |
| <b>Total comprehensive income</b>   | -                            | (39.7)                | 33.9                      | (5.8)              |
| <b>At 30 September 2023</b>   | 0.1                          | 12.5                  | 303.5                     | 316.1              |

The notes on pages 98 to 147 form an integral part of these financial statements

# Statements of cash flows

For the year ended 30 September 2023

|   | Note   | 2023<br>Group<br>£m | 2022<br>Group<br>£m | 2023<br>Company<br>£m | 2022<br>Company<br>£m |
|---|--------|---------------------|---------------------|-----------------------|-----------------------|
| <b>Cash flows from operating activities</b>                   |        |                     |                     |                       |                       |
| Cash (used in)/generated from operations                      | 29     | (1,253.2)           | 775.4               | (1,746.1)             | 192.4                 |
| Interest (paid)/received                                      |        | (185.1)             | (170.9)             | 37.7                  | 26.0                  |
| Income tax paid   |        | (57.0)              | (106.0)             | (9.9)                 | (7.2)                 |
| Charitable donations  |        | (250.0)             | (200.1)             | -                     | -                     |
| <b>Net cash (used in)/generated from operating activities</b> |        | <b>(1,745.3)</b>    | <b>298.4</b>        | <b>(1,718.3)</b>      | <b>211.2</b>          |
| <b>Cash flows from investing activities</b>                   |        |                     |                     |                       |                       |
| Dividend received   | 16     | -                   | -                   | -                     | -                     |
| Purchase of intangible assets                                 | 11     | -                   | (3.7)               | -                     | -                     |
| Purchase of property, plant and equipment                     | 12     | (2.3)               | (30.9)              | -                     | -                     |
| Proceeds from sale of property, plant and equipment           | 12, 29 | 0.7                 | 0.2                 | -                     | -                     |
| Investment in financial assets at amortised cost              | 15     | (38.8)              | (72.9)              | -                     | -                     |
| <b>Net cash used in investing activities</b>                  |        | <b>(40.4)</b>       | <b>(107.3)</b>      | <b>-</b>              | <b>-</b>              |
| <b>Cash flows from financing activities</b>                   |        |                     |                     |                       |                       |
| New loans raised  |        | 150.0               | -                   | 150.0                 | -                     |
| Loans settled   |        | -                   | -                   | -                     | -                     |
| Bonds issued  | 25     | 1,431.8             | 487.7               | 1,431.8               | 487.7                 |
| Bonds redeemed  |        | (402.5)             | (400.0)             | (402.5)               | (400.0)               |
| Proceeds from settlement of derivatives                       |        | -                   | -                   | -                     | -                     |
| Payments of principal portions of lease liabilities           |        | (22.3)              | (2.2)               | -                     | -                     |
| <b>Net cash generated from financing activities</b>           |        | <b>1,157.0</b>      | <b>85.5</b>         | <b>1,179.3</b>        | <b>87.7</b>           |
| <b>Net (decrease)/increase in cash and cash equivalents</b>   |        | <b>(628.7)</b>      | <b>276.6</b>        | <b>(539.0)</b>        | <b>298.9</b>          |
| Cash and cash equivalents at beginning of year                |        | 709.0               | 432.4               | 640.0                 | 341.1                 |
| <b>Cash and cash equivalents at end of year</b>               | 17     | <b>80.3</b>         | <b>709.0</b>        | <b>101.0</b>          | <b>640.0</b>          |

The notes on pages 98 to 147 form an integral part of these financial statements



# Notes to the financial statements

## 1. General information

Motability Operations Group plc is a 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 on pages 2 to 4 and 13, and the Group's shareholders are detailed in the Corporate governance report on page 58.

Motability Operations Group plc ('the Company') and its subsidiaries will be referred to as 'the Group' in this report.

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, except the revaluation of financial assets and financial liabilities (including derivative instruments) which are valued at fair value through profit or loss, apart from derivative instruments relating to cash flow hedges which are classified and measured at fair value through other comprehensive income.

## 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 Group plc 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.

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

The preparation of financial statements in conformity with IFRSs requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the Directors' best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements and Motability Operations Group plc's individual Company 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 new and revised standards and interpretations have been adopted in these financial statements. Their adoption has not had a material impact on the amounts reported.

|   |   |
|---|---|
| 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   |

## Notes to the financial statements continued

### 2. Significant accounting policies continued

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

#### IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. It was introduced by the International Accounting Standards Board (IASB) in May 2017 and was approved for adoption by the UK Endorsement Board in May 2022.

Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts, which was issued in 2005. IFRS 17 is effective for accounting periods commencing on or after 1 January 2023. The Group is therefore required to apply IFRS 17 for the first time to its next financial reporting period, being the year ending 30 September 2024, with comparative restatement of the financial year ended 30 September 2023, including a restatement of the opening statement of financial position as at 1 October 2022.

For the financial statements of the Group's captive insurance subsidiary (MO Reinsurance Ltd or "MORL") the adoption of IFRS 17 will bring significant accounting changes in the period of initial application. However, in the consolidated financial statements of the Group many of MORL's accounting transactions (in particular those regarding premiums) are eliminated as they are effectively "intra-group" transactions, so the anticipated impact of the adoption of IFRS 17 at a Group level is expected to be minor in nature.

MORL's primary insurance business is a "reinsurance inwards" contract with DLG (up to 1 September 2023 this was with RSA), and the assessment of these contracts are key judgements on the implementation of IFRS 17 for MORL. It is expected the on-going DLG contract will be eligible to be accounted for under the Premium Allocation Approach model of IFRS 17, and the former RSA contract (which is still relevant due to the retrospective application required by the standard) will not be eligible, and therefore will be accounted for under the General Measurement Model, which is a more complex model compared with the Premium Allocation Approach.

To date MORL has focussed on establishing a project team and governance arrangements for the transition project, gathering the necessary data and performing analysis to support key policy and methodology decisions, such as determination of the contract boundary and eligibility for use of the Premium Allocation Approach model. Disclosure of the quantification of the changes will be available in the Half Year Report to 31 March 2024. As noted above, this is not expected to have a significant impact on the Group consolidated financial statements.

Alongside the effects of IFRS 17 discussed above, the Directors anticipate that the adoption of 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 IFRSs in advance of their required dates.

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



## 2. Significant accounting policies continued

### Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic report on pages 3 to 56. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Strategic report on pages 14 to 18. In addition, note 36 to the 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 Group has considerable financial resources, with restricted reserves of £4,401.5m at 30 September 2023, together with a long-term contract with Motability Foundation to operate the 'Motability Scheme'.

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, 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 Group has remained profitable and issued four bonds under our Social Bond Framework: two in January 2023 (a £350m 20-year bond and a €500m 8.5-year bond); and a further two in September 2023 (a £400m 25 year bond, and a £250m 12-year bond).

The Directors have prepared budgets and cash flow forecasts for the period to 31 December 2024 by means of a baseline forecast. The baseline forecast is established 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 recover from the Covid-19 pandemic. These include a deterioration in revenue from disposal of operating lease assets and impacts of issuing new bonds under the Euro Medium Term Note Programme in distressed financial markets.

Within both the baseline and stressed forecasts the Group has significant headroom to:

- continue to fund the business and meet its liabilities utilising current and refinanced banking facilities, detailed in notes 25 and 35;
- meet the objectives of its capital and reserves management policy, detailed in note 36; and
- comply with its debt financing covenant, detailed in note 36.

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 Group and 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.

### Basis of consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In terms of subsidiaries, the Group:

- Consolidates subsidiaries from the date on which control passes to the Group and deconsolidates from the date control ceases
- Changes the accounting policies of subsidiaries, where necessary, to ensure consistency with the policies adopted by the Group
- Eliminates intercompany transactions and balances in the Group results, including those between the leasing business and the captive reinsurance business where the contracts between the leasing business and the fronting insurer and in turn the fronting insurer and the reinsurance captive are treated as related contracts. This means that all the premiums due to the captive are intra-group, as are the share of claims (80%) paid by the reinsurance captive to the leasing company. See Note 5 for details.

## 2. Significant accounting policies continued

### Investment in subsidiaries

The Company's investments in its subsidiaries are stated at cost less any charge for impairment in the Company's balance sheet. Impairment adjustments are charged to the income statement. In accordance with IAS 36, impairment is considered as part of the Group's going concern analysis.

### 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 into 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 property, plant and equipment 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 31.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within net operating costs in the income statement. Property, plant and equipment assets are reviewed annually for impairment triggers meaning loss/cessation of use.

### Assets held for use in operating leases

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

Assets are reviewed annually for impairment whenever events or changes in circumstances indicate that the carrying amount (including any recalibration arising from the review of residual values) 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 booked 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

In accordance with IAS 2, 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.



## 2. Significant accounting policies continued

### Revenue recognition – leasing (under 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). For insurance reimbursements, revenue is recognised when the claim has been accepted by the insurer and a valuation provided for the compensation amount.

### 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 return of their leased assets.

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

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

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

ILSC spend curves occur because such services are back-loaded for a new vehicle, as maintenance costs are lower in the first year of a vehicle's life compared with later years. For insurance, premium payments to the Group's fronting insurer are generally expected to rise every six months, so that the obligation to pay premiums in the latter stages of a lease is typically higher than the early stages, requiring a deferral of revenue recognised.

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

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

### Net operating costs

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

The Group's insurance costs are presented net of a 'profit sharing' arrangement with the fronting insurer. These premium rebates are recognised as receivable by the Group 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 Group 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.

## 2. Significant accounting policies continued

### 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 Group.

### 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 Group 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 (see note 34). 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. The Group's preference shares are classified as debt, with the associated dividend being recognised on an amortised cost basis in the income statement as a finance cost. As regards ordinary shareholders, 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.

### Financial instruments

Financial assets and liabilities include trade and other receivables, cash and cash equivalents, trade and other payables, preference shares and derivative instruments.

#### Recognition and initial measurement

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

#### Classification and subsequent measurement

Financial assets are measured at amortised cost, and this classification would only be changed if the Group changed its business model (in which case all affected financial assets would be reclassified on the first day of the first reporting period following the change in the business model).

In classifying these assets at amortised cost, both of the following conditions have been found to apply: the business model has an objective to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

#### The business model

The financial assets at amortised cost are held at MORL, the reinsurance captive. MORL holds investments in a managed bond solution segregated into portfolios with differing maturity profiles, reflecting the fact that cash arises from two sources: capital and reinsurance premiums. The portfolios are managed with the main aim of capital preservation, with key restrictions set by the treasury policy on credit quality, asset type, duration of assets and maximum exposures. Over the life of these portfolios no early sales have ever been made. The only provision for making an early disposal is where a significant increase to an asset's credit risk occurs (e.g. a significant downgrade in a bond's rating to below investment grade – with the Group's minimum rating requirement being A- or A3 this would mean a four-notch fall in the bond's rating).

The remainder of the Group's financial assets (trade and other receivables, cash and cash equivalents) are held to collect.



## 2. Significant accounting policies continued

### Financial instruments continued

#### Assessment whether contractual cash flows are solely payments of principal and interest

The Group has considered the contractual terms of the instruments, including assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition, including contingent events that would change the timing of cash flows, variable-rate features, prepayment and extension features and non-recourse features.

The treasury policy adopted by the Group in respect of financial assets does not allow for investments in instruments with trigger events which could change the amounts or timing of cash flows, callable bonds, or arrangements denominated in foreign currencies. The allowable investments are corporate and Government debt instruments which pay interest as per the bond issue and principal at maturity.

#### Subsequent measurement

Financial assets at amortised cost are subsequently measured using the effective interest method, where relevant reduced by impairment losses with interest income and impairment recognised in profit or loss. Any gain or loss on derecognition would be recognised in profit or loss.

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

#### Trade and other payables

Trade and other payables are recognised when the Group 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 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 held at amortised cost. Any difference between the amount on initial recognition and the redemption value is recognised in the income statement using the effective interest method.

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.

#### Insurance receivables and payables

Receivables and payables arising under insurance contracts are recognised when due. A provision for impairment is established when there is objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows have been impacted.

#### 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 Group 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.

## 2. Significant accounting policies continued

### Financial liabilities – classification, subsequent measurement and gains and losses continued

#### Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

#### Derivative financial instruments and hedge accounting: cash flow hedges

The Group enters into derivative financial instruments, comprising interest rate and cross-currency swaps, to manage its exposures to interest rate and foreign exchange risk, chiefly on the Group's Eurobonds. Further details of derivative financial instruments are disclosed in note 26.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether or not the hedging instrument that is used in a hedging relationship is effective in offsetting changes in cash flows of the hedged item.

Note 26 sets out details of the fair values of the derivative instruments used for hedging purposes. Movements in the fair value reserve (net of tax effects) are also detailed in the statement of changes in equity.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. Any ineffective portion would be recognised immediately in profit or loss.

#### Impairment policy: financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date and impaired where there is objective evidence that, as a result of one or more events (such as a default or a significant increase in credit risk) that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been reduced.

On investments held to collect, the Group considers that the low credit risk practical expedient in IFRS 9 applies as the treasury policy limits the range of investments such that the instruments have a strong capacity to meet their contractual cash flow obligations, they are resilient to adverse changes in economic and business conditions, and have a strong external rating (see 'The business model' above). This means that only 12-month expected credit losses ("ECL") will be recorded for these financial instruments, and these are not material for the Group.

In terms of ECL on trade receivables, the Group's policy is to collect all trade debt via direct debit at the point of sale for vehicle disposals, or monthly in other cases. Customer rentals are either paid upfront or by assignment of Government allowances which are collected electronically on a four-weekly basis. No trade receivables include a significant financing component. For trade receivables, cash equivalents and inter-company loans 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.

IFRS 9 allows for a simplified approach (rather than a 'staging' approach) in such circumstances and the Group uses a provision matrix combining historical provision rates with current conditions and reasonable and supportable forecasts about the future.

#### Foreign currency translation

The Company has issued fixed-rate Eurobonds and at the same time entered into cross-currency interest rate swap arrangements to hedge its foreign exchange risk. The Company's overall foreign exchange risk management strategy is to translate all new issued foreign-denominated debt into the Company's functional currency of Sterling.

Monetary assets and liabilities expressed in foreign currencies are translated into Sterling at rates of exchange prevailing at the balance sheet date. Foreign currency amounts are initially recorded at the rates of exchange prevailing on the dates of the transactions. Individual transactions denominated in foreign currencies are translated into Sterling at the exchange rates prevailing on the dates payment takes place. Gains and losses arising on retranslation are, with the exception of the effective portion of foreign exchange gains or losses on debt instruments designated as hedging instruments in a cash flow hedge relationship, included in the income statement for the period and are classified as either operating or financing depending on the nature of the monetary item giving rise to them. The Company hedged all its foreign exchange risks on the Eurobonds and does not have any other monetary assets or liabilities in foreign currencies.



## 2. Significant accounting policies continued

### Financial liabilities – classification, subsequent measurement and gains and losses continued

#### Insurance contracts

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risks.

#### Recognition and measurement

Insurance and reinsurance claims and loss adjustment expenses are charged (and credited) to the income statement as incurred based on the best estimate of liabilities for compensation owed to contract holders together with a risk margin. They include direct and indirect claims settlement costs and arise from events that have occurred up to the balance sheet date even if they have not yet been reported to the Group. The measurement of insurance liabilities and reinsurance recoveries is described in more detail in note 24.

The Group does not discount its insurance liabilities as they are generally short term in nature. Liabilities for unpaid claims are estimated using the input of data for individual cases reported to the Group and statistical analysis for the claims incurred but not reported, including an estimate of the impact on claims that may be affected by external factors such as court decisions and legislative changes.

Payments made by the insurance subsidiary in respect of Group-owned fleet vehicles written off are eliminated on consolidation (see note 5).

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

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Judgements are made when applying significant accounting policies and disclosed below where these judgements materially affect the reported numbers. Judgements and estimates also apply when preparing for going concern analysis and disclosures (see note 2).

The Company has no significant accounting estimates.

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

The method by which the Directors have determined the Group'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 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 impairment charge).

### 3. Critical accounting judgements and key sources of estimation uncertainty continued

#### Key estimate and judgement: insurance contracts

There are many factors that cause uncertainty when the Group is estimating its ultimate claims liability. Principally, the complex nature of the bodily injury claims (in particular) usually result in a lengthy legal process during which the estimated claims quantum can fluctuate, and judgements are made by actuaries in the selection of appropriate actuarial methods when estimating the claims liabilities. The methods and basis of selection are described in more detail in note 24.

Therefore, the key estimates and judgements relating to insurance contracts concern the valuation of claims liabilities.

#### Valuation of liabilities of insurance contracts

Claims incurred include all losses occurring during the year (reported or not), related handling costs, a reduction for the value of salvage and other recoveries and any adjustments to claims outstanding from previous years. The provision for claims outstanding is made on an individual basis plus an estimate of the cost of claims incurred but not reported ("IBNR") at the balance sheet date using statistical methods. The estimation of IBNR is generally subject to a greater degree of uncertainty than notified claims as some cases can take time to become notified and the total amount of the potential claim is not always apparent from initial information supplied to the insurer. In calculating the estimated cost of unpaid claims, the Group, in conjunction with independent actuaries, uses a variety of estimation techniques, generally based upon statistical analysis of both market data and its own historic experience.

The Group has recognised that repair cost inflation continues to increase, together with key-to-key times on repairs. For these reasons, the Group has determined that it is appropriate to continue to apply a higher risk margin than in a normal period.

The risk margin would normally be calibrated at the 80th percentile, but since 30 September 2020 it has been temporarily moved to a higher confidence interval (85th), giving an additional risk margin on the retained risk layer of £3.3m (2022: £3.3m). For the current year there are several key factors influencing the decision to maintain reserving at the 85th percentile:

- Increases in claims severity due to the increase in UK inflation
- A slowing down in the claim development pattern as a result of operational challenges such as parts availability and changes in the repair network
- Risk of disruption due to the transition from RSA to Direct Line Group in 2023 which may impact support of legacy claims, engagement of key operational third parties in the wider supply chain or stability of established development patterns."

The reserves held in the financial statements of the Group are adequate and match the best estimates calculated by the independent actuaries. See note 24 for details of claims reserves balances.

#### Sensitivity analysis

A 1% change in the insurance loss ratio would impact pre-tax profits by £3.5m in the year (2022: £2.9m). The precise outcome of such changes would depend on the impacted layer and frequency of claims in each scenario. Note 24 describes in more detail the sources of uncertainty in the estimation of future claims payments.

Given the current high inflationary environment and uncertainty over future inflation, alternative adverse inflation scenarios have been considered which also provide an indication of the sensitivity of the Group's insurance claims reserves to this assumption. The reserving actuaries estimate that a 1% inflation increase over assumptions would result in adverse movements of £1.9m on the Net Layer, and £5.9m on the Quota Share layer.



## Notes to the financial statements continued

### 4. Revenue

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

|  | 2023<br>£m     | 2022<br>£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 | 54.5           | 42.3           |
| Finance income   | 28.1           | 10.0           |
| Other income   | 1.8            | 1.5            |
| <b>Total revenue</b>   | <b>5,547.6</b> | <b>4,708.4</b> |

(I) During the year the Group 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)

Rentals receivable from operating lease insurance arrangements are applied to the Group's insurance cover arrangements – premiums payable to third-party insurers including reinsurers, and claims payable to third parties by the Group's reinsurance captive.

### 5. Segmental analysis

The Group is organised into two main operating segments: Scheme Operations and Fleet Reinsurance.

#### Scheme Operations

The main responsibilities of the Scheme Operations segment are:

- buying and selling assets for use in operating leases;
- arranging the funds to purchase the assets;
- leasing the assets to customers along with the associated costs; and
- providing customers the 'worry-free' service package.

The two main sources of income for this segment are proceeds from disposal of operating lease assets and rentals receivable from operating leases.

#### Fleet Reinsurance

The main responsibilities of the Fleet Reinsurance segment are:

- providing motor quota-share reinsurance to the Scheme fronting insurer; and
- arranging reinsurance cover to limit the Group's exposure to the motor quota-share reinsurance.

The main source of income for the operating segment is inter-segment insurance premium income.

#### Segmental performance

Information on the segmental performance is reported to and reviewed by the Executive Committee on a monthly basis. Management monitors the operating results of its operating segments separately for the purpose of making decisions about allocating resources and assessing performance. Segment performance is measured based on profit after tax.

## Notes to the financial statements continued

### 5. Segmental analysis continued

Inter-segment revenues comprise insurance premiums from Scheme Operations to Fleet Reinsurance and insurance reimbursements from Fleet Reinsurance to Scheme Operations, and are eliminated on consolidation.

The following tables present revenue and profit information and certain asset and liability information regarding business operating segments for the years ended 30 September 2022 and 30 September 2021.

|   | Scheme<br>Operations<br>£m | Fleet<br>Reinsurance<br>£m | Consolidation<br>adjustments<br>£m | Total<br>£m      |
|---|----------------------------|----------------------------|------------------------------------|------------------|
| <b>Year ended 30 September 2023</b>   |                            |                            |                                    |                  |
| Rentals receivable for operating lease assets   | 1,511.1                    | -                          | -                                  | 1,511.1          |
| Rentals receivable for operating lease in-life services                                   | 229.7                      | -                          | -                                  | 229.7            |
| Rentals receivable for operating lease insurance  | 630.1                      | -                          | -                                  | 630.1            |
| Proceeds from disposal of operating lease assets<br>(including insurance reimbursements): |                            |                            |                                    |                  |
| Proceeds from external parties  | 3,146.8                    | -                          | -                                  | 3,146.8          |
| Inter-segment proceeds  | 74.0                       | -                          | (74.0)                             | -                |
| Insurance income  | -                          | 349.3                      | (349.3)                            | -                |
| Other revenue   | 20.9                       | 9.0                        | -                                  | 29.9             |
| <b>Total revenue</b>  | <b>5,612.6</b>             | <b>358.3</b>               | <b>(423.3)</b>                     | <b>5,547.6</b>   |
| Net book value of disposed operating lease assets   | (2,499.7)                  | -                          | -                                  | (2,499.7)        |
| Fleet operating costs   | (1,034.4)                  | -                          | 349.3                              | (685.1)          |
| Insurance claims and commission costs   | -                          | (354.7)                    | 74.0                               | (280.7)          |
| Depreciation on assets used in operating leases   | (467.9)                    | -                          | -                                  | (467.9)          |
| Other operating costs   | (418.0)                    | (1.1)                      | -                                  | (419.1)          |
| Charitable donations  | (250.0)                    | -                          | -                                  | (250.0)          |
| <b>Net operating costs</b>  | <b>(4,670.0)</b>           | <b>(355.8)</b>             | <b>423.3</b>                       | <b>(4,602.5)</b> |
| <b>Profit from operations</b>   | <b>942.6</b>               | <b>2.5</b>                 | <b>-</b>                           | <b>945.1</b>     |
| Finance costs   | (197.1)                    | -                          | -                                  | (197.1)          |
| <b>Profit before tax</b>  | <b>745.5</b>               | <b>2.5</b>                 | <b>-</b>                           | <b>748.0</b>     |
| Taxation  | (142.8)                    | (0.6)                      | -                                  | (143.4)          |
| <b>Profit for the year</b>  | <b>602.7</b>               | <b>1.9</b>                 | <b>-</b>                           | <b>604.6</b>     |
| PPE & intangible assets   | 104.7                      | -                          | -                                  | 104.7            |
| Assets held for use in operating leases (including inventories)                           | 11,959.3                   | -                          | -                                  | 11,959.3         |
| Derivative financial instruments  | 6.0                        | -                          | -                                  | 6.0              |
| Insurance receivables   | -                          | 98.9                       | -                                  | 98.9             |
| Reinsurers' share of insurance provisions   | -                          | 451.6                      | 72.5                               | 524.1            |
| Trade and other receivables including corporation tax                                     | 694.0                      | -                          | -                                  | 694.0            |
| Financial assets  | 212.6                      | 394.4                      | (101.2)                            | 505.8            |
| <b>Total assets</b>   | <b>12,976.6</b>            | <b>944.9</b>               | <b>(28.7)</b>                      | <b>13,892.8</b>  |
| Deferred rental income and provisions for rebates   | (675.3)                    | -                          | -                                  | (675.3)          |
| Insurance payables  | -                          | (73.5)                     | -                                  | (73.5)           |
| Trade and other payables  | (291.6)                    | (0.4)                      | -                                  | (292.0)          |
| Financial liabilities   | (7,087.8)                  | -                          | -                                  | (7,087.8)        |
| Deferred taxation   | (575.4)                    | -                          | -                                  | (575.4)          |
| Provision for insurance claims outstanding  | -                          | (666.3)                    | (72.5)                             | (738.8)          |
| Derivative financial instruments  | (28.1)                     | -                          | -                                  | (28.1)           |
| <b>Total liabilities</b>  | <b>(8,658.2)</b>           | <b>(740.2)</b>             | <b>(72.5)</b>                      | <b>(9,470.9)</b> |
| <b>Net assets</b>   | <b>4,318.4</b>             | <b>204.7</b>               | <b>(101.2)</b>                     | <b>4,421.9</b>   |
| Ordinary share capital  | 0.1                        | 101.2                      | (101.2)                            | 0.1              |
| Hedging reserve   | 12.9                       | -                          | -                                  | 12.9             |
| Restricted reserves   | 4,305.4                    | 103.5                      | -                                  | 4,408.9          |
| <b>Total equity</b>   | <b>4,318.4</b>             | <b>204.7</b>               | <b>(101.2)</b>                     | <b>4,421.9</b>   |



## Notes to the financial statements continued

### 5. Segmental analysis continued

| Year ended 30 September 2022  | Scheme<br>Operations<br>£m | Fleet<br>Reinsurance<br>£m | Consolidation<br>adjustments<br>£m | Total<br>£m      |
|---|----------------------------|----------------------------|------------------------------------|------------------|
| Rentals receivable for operating lease assets   | 1,392.0                    | -                          | -                                  | 1,392.0          |
| Rentals receivable for operating lease in-life services                                   | 224.0                      | -                          | -                                  | 224.0            |
| Rentals receivable for operating lease insurance  | 556.2                      | -                          | -                                  | 556.2            |
| Proceeds from disposal of operating lease assets<br>(including insurance reimbursements): |                            |                            |                                    |                  |
| Proceeds from external parties  | 2,524.7                    | -                          | -                                  | 2,524.7          |
| Inter-segment proceeds  | 54.7                       | -                          | (54.7)                             | -                |
| Insurance income  | -                          | 289.1                      | (289.1)                            | -                |
| Other revenue   | 8.4                        | 3.1                        | -                                  | 11.5             |
| <b>Total revenue</b>  | <b>4,760.0</b>             | <b>292.2</b>               | <b>(343.8)</b>                     | <b>4,708.4</b>   |
| Net book value of disposed operating lease assets   | (1,821.2)                  | -                          | -                                  | (1,821.2)        |
| Fleet operating costs   | (837.7)                    | -                          | 289.1                              | (548.6)          |
| Insurance claims and commission costs   | -                          | (284.5)                    | 54.7                               | (229.8)          |
| Depreciation on assets used in operating leases   | (267.2)                    | -                          | -                                  | (267.2)          |
| Other operating costs   | (325.0)                    | (1.1)                      | -                                  | (326.1)          |
| Charitable donations  | (200.1)                    | -                          | -                                  | (200.1)          |
| <b>Net operating costs</b>  | <b>(3,451.2)</b>           | <b>(285.6)</b>             | <b>343.8</b>                       | <b>(3,393.0)</b> |
| <b>Profit from operations</b>   | <b>1,308.8</b>             | <b>6.6</b>                 | <b>-</b>                           | <b>1,315.4</b>   |
| Finance costs   | (172.8)                    | -                          | -                                  | (172.8)          |
| <b>Profit before tax</b>  | <b>1,136.0</b>             | <b>6.6</b>                 | <b>-</b>                           | <b>1,142.6</b>   |
| Taxation  | (218.3)                    | (1.4)                      | -                                  | (219.7)          |
| <b>Profit for the year</b>  | <b>917.7</b>               | <b>5.2</b>                 | <b>-</b>                           | <b>922.9</b>     |
| PPE & intangible assets   | 166.1                      | -                          | -                                  | 166.1            |
| Assets held for use in operating leases (including inventories)                           | 9,688.5                    | -                          | -                                  | 9,688.5          |
| Derivative financial instruments  | 134.2                      | -                          | -                                  | 134.2            |
| Insurance receivables   | -                          | 57.0                       | -                                  | 57.0             |
| Reinsurers' share of insurance provisions   | -                          | 431.1                      | 57.8                               | 488.9            |
| Trade and other receivables including corporation tax                                     | 296.4                      | -                          | -                                  | 296.4            |
| Financial assets  | 774.3                      | 376.4                      | (101.2)                            | 1,049.5          |
| <b>Total assets</b>   | <b>11,059.5</b>            | <b>864.5</b>               | <b>(43.4)</b>                      | <b>11,880.6</b>  |
| Deferred rental income and provisions for rebates   | (685.8)                    | -                          | -                                  | (685.8)          |
| Insurance payables  | -                          | (52.5)                     | -                                  | (52.5)           |
| Trade and other payables  | (183.6)                    | (0.3)                      | -                                  | (183.9)          |
| Financial liabilities   | (5,985.6)                  | -                          | -                                  | (5,985.6)        |
| Deferred taxation   | (448.8)                    | -                          | -                                  | (448.8)          |
| Provision for insurance claims outstanding  | -                          | (609.6)                    | (57.8)                             | (667.4)          |
| Derivative financial instruments  | -                          | -                          | -                                  | -                |
| <b>Total liabilities</b>  | <b>(7,303.8)</b>           | <b>(662.4)</b>             | <b>(57.8)</b>                      | <b>(8,024.0)</b> |
| <b>Net assets</b>   | <b>3,755.7</b>             | <b>202.1</b>               | <b>(101.2)</b>                     | <b>3,856.6</b>   |
| Ordinary share capital  | 0.1                        | 101.2                      | (101.2)                            | 0.1              |
| Hedging reserve   | 52.2                       | -                          | -                                  | 52.2             |
| Restricted reserves   | 3,703.4                    | 100.9                      | -                                  | 3,804.3          |
| <b>Total equity</b>   | <b>3,755.7</b>             | <b>202.1</b>               | <b>(101.2)</b>                     | <b>3,856.6</b>   |

## Notes to the financial statements continued

### 6. Net operating costs

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

|  | 2023<br>£m     | 2022<br>£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           |
| Charitable donations   | 250.0          | 200.1          |
| Fleet operating costs including insurance, maintenance and roadside assistance costs*        | 685.1          | 548.6          |
| Insurance claims expense   | 280.7          | 229.8          |
| Other operating costs  | 71.1           | 49.2           |
| Employee costs   | 105.2          | 82.6           |
| Other product costs including continuous mobility costs, adaptations support, communications | 145.6          | 109.2          |
| Legal and professional fees  | 48.3           | 51.2           |
| Bad debt charges and movement in bad debt provisions   | 1.2            | (0.3)          |
| Management fees  | 0.8            | 0.8            |
| <b>Net operating costs before depreciation and amortisation</b>                              | <b>4,087.7</b> | <b>3,092.4</b> |
| Depreciation on assets used in operating leases  | 467.9          | 267.2          |
| Impairment charge for assets used in operating leases  | -              | -              |
| Depreciation and amortisation of property, plant and equipment and intangible assets         | 46.9           | 33.4           |
| <b>Net operating costs</b>   | <b>4,602.5</b> | <b>3,393.0</b> |

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

The depreciation charge on assets used in operating leases includes a £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 remuneration

|   | 2023            | 2022            |
|---|-----------------|-----------------|
| Auditor remuneration: Audit fees for Group and Company financial statements | £479,700        | £426,400        |
| <b>Total audit fees for Group and Company financial statements</b>          | <b>£479,700</b> | <b>£426,400</b> |
| Audit fees paid on behalf of subsidiaries                                   | £286,130        | £288,000        |
| Audit-related assurance services  | £106,310        | £96,600         |
| Tax compliance services   | £0              | £0              |
| Tax advisory services   | £0              | £0              |
| Internal audit services   | £0              | £0              |
| Other assurance services  | £80,000         | £32,500         |
| Corporate finance services  | £0              | £0              |
| <b>Total other fees payable to the auditors</b>                             | <b>£472,440</b> | <b>£417,100</b> |

### 8. Employee costs

The employee costs for the Company are £nil (2022: £nil). All employee costs for the Group are borne in full by its subsidiary Motability Operations Ltd. The average monthly number of persons employed on a full-time equivalent basis (including Executive Directors) was:

#### Group

|   | 2023         | 2022        |
|---|--------------|-------------|
| Administrative staff                        | 1,395        | 1,175       |
|   |              |             |
|   | 2023<br>£m   | 2022<br>£m  |
| The breakdown of staff costs is as follows: |              |             |
| Wages and salaries                          | 86.0         | 66.8        |
| Social security costs                       | 9.6          | 7.8         |
| Other pension costs                         | 9.6          | 8.0         |
| <b>Total employee costs</b>                 | <b>105.2</b> | <b>82.6</b> |



## Notes to the financial statements continued

### 9. Finance costs

The finance costs for the Group are:

|   | 2023<br>£m   | 2022<br>£m   |
|---|--------------|--------------|
| Interest and charges on bank loans and overdrafts                 | 28.7         | 12.5         |
| Interest on debt issued under the Euro Medium Term Note Programme | 167.5        | 158.9        |
| Interest on right-of-use leased assets                            | 0.2          | 0.7          |
| Preference dividends  | 0.7          | 0.7          |
| <b>Total finance costs</b>  | <b>197.1</b> | <b>172.8</b> |

### 10. Taxation

The major components of the Group's consolidated tax expense are:

|   | 2023<br>£m   | 2022<br>£m   |
|---|--------------|--------------|
| <b>Current tax</b>  |              |              |
| Charge for the year   | 10.5         | 93.8         |
| Adjustment in respect of prior years  | (4.1)        | -            |
| <b>Total</b>  | <b>6.4</b>   | <b>93.8</b>  |
| <b>Deferred tax</b>   |              |              |
| Origination and reversal of temporary differences   | 89.7         | 59.4         |
| Adjustments recognised in the current year in relation to the deferred tax of prior years | 4.1          | -            |
| Impact of change in UK tax rate   | 43.2         | 66.5         |
| <b>Total</b>  | <b>137.0</b> | <b>125.9</b> |
| <b>Tax on profit</b>  | <b>143.4</b> | <b>219.7</b> |

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the profit of the consolidated entities as follows:

|  | 2023<br>£m   | 2022<br>£m   |
|--|--------------|--------------|
| Profit before tax  | 748.0        | 1,142.6      |
| Tax calculated at appropriate tax rates applicable to profit (2023: 22%, 2022: 19%)      | 164.6        | 217.0        |
| Non-taxable capital gains  | (67.9)       | (64.4)       |
| Expenses not deductible for tax purposes   | 3.5          | 0.6          |
| Adjustments relating to prior year's deferred tax  | 4.1          | -            |
| Adjustments recognised in the current year in relation to the current tax of prior years | (4.1)        | -            |
| Taxation excluding the impact of future changes in the UK corporation tax rate           | 100.2        | 153.2        |
| <b>Non-recurring items</b>   |              |              |
| Remeasurement of deferred tax due to future changes in the UK corporation tax rate       | 43.2         | 66.5         |
| <b>Total tax on profit</b>   | <b>143.4</b> | <b>219.7</b> |

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 27).

The Group's effective tax rate (excluding the impact of changes to future UK tax rates and prior year adjustments) is 13.4% (2022: 13.4%). 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, with effect from this accounting period all four instalments become payable during the year (for the Group, in December, March, June and September). During 2023, the Group paid £57.0m towards the overall current tax charge of £6.4m (2022: £106.0m towards a tax charge of £93.8m) and the Group also paid £nil relating to prior years (2022: £nil paid relating to prior years). The cumulative effect is a debtor balance of £73.9m, which includes £23.2m relating to prior years (2022: a debtor balance of £23.2m), shown as corporation tax receivable at the year end.

## 11. Intangible assets

### Group

| Cost   | Total<br>£m  |
|--|--------------|
| At 1 October 2021                              | 154.9        |
| Additions                                      | 3.7          |
| At 1 October 2022                              | 158.6        |
| Additions                                      | –            |
| <b>At 30 September 2023</b>                    | <b>158.6</b> |
| <b>Accumulated amortisation and impairment</b> |              |
| At 1 October 2021                              | 60.8         |
| Amortisation charge for the year               | 23.9         |
| At 1 October 2022                              | 84.7         |
| Amortisation charge for the year               | 24.0         |
| <b>At 30 September 2023</b>                    | <b>108.7</b> |
| <b>Carrying amount</b>                         |              |
| At 1 October 2021                              | 94.1         |
| Additions                                      | 3.7          |
| Amortisation                                   | (23.9)       |
| At 1 October 2022                              | 73.9         |
| Additions                                      | –            |
| Amortisation                                   | (24.0)       |
| <b>At 30 September 2023</b>                    | <b>49.9</b>  |

The intangible assets relate to IT projects held by the Company's wholly owned subsidiary Motability Operations Limited.

At 30 September 2023, the Group had entered into contractual commitments in respect of capital expenditure on intangible assets amounting to £nil (2022: £nil). These amounts relate to IT system projects.



## 12. Property, plant and equipment

### Group

| Cost                 | Motor vehicles<br>£m | Leasehold improvements<br>£m | Right-of-use leased assets (property)<br>£m | Land and buildings<br>£m | Fixtures, fittings and office equipment<br>£m | Total<br>£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 Group had entered into contractual commitments in respect of capital expenditure on property, plant and equipment amounting to £nil (2022: £12.5m).

## 13. Assets held for use in operating leases

### Group

| Cost                        | Motor vehicle assets<br>£m |
|-----------------------------|----------------------------|
| At 1 October 2021           | 10,145.4                   |
| Additions                   | 2,876.4                    |
| Transfer to inventory       | (2,375.7)                  |
| At 1 October 2022           | 10,646.1                   |
| Additions                   | 5,238.4                    |
| Transfer to inventory       | (3,236.1)                  |
| <b>At 30 September 2023</b> | <b>12,648.4</b>            |

| Accumulated depreciation            |              |
|-------------------------------------|--------------|
| At 1 October 2021                   | 1,354.7      |
| Charge for the year                 | 267.2        |
| Eliminated on transfer to inventory | (540.3)      |
| At 1 October 2022                   | 1,081.6      |
| Charge for the year                 | 467.9        |
| Eliminated on transfer to inventory | (622.5)      |
| <b>At 30 September 2023</b>         | <b>927.0</b> |

| 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)       |
| <b>At 30 September 2023</b>     | <b>11,721.4</b> |

### Residual values

Residual values represent the estimated net sale proceeds expected from the sale of assets 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<br>£m      | 2022<br>£m     |
|---|-----------------|----------------|
| No later than one year                              | 3,532.7         | 3,342.2        |
| Later than one year and no later than two years     | 2,778.1         | 3,040.0        |
| Later than two years and no later than three years  | 3,767.1         | 2,227.4        |
| Later than three years and no later than four years | 52.4            | 62.3           |
| Later than four years and no later than five years  | 60.2            | 48.5           |
| <b>Total exposure</b>                               | <b>10,190.5</b> | <b>8,720.4</b> |



## Notes to the financial statements continued

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

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.

#### Timing of revisions to original priced residual values included in the unguaranteed residual values above

|   | 2023<br>£m     | 2022<br>£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          |
| <b>Total increase in estimated residual value</b>           | <b>1,645.0</b> | <b>1,628.5</b> |

\* 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 Group and 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<br>Group<br>£m | 2022<br>Group<br>£m | 2023<br>Company<br>£m | 2022<br>Company<br>£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                 | -                     | -                     |
| <b>Total</b>  | <b>2,441.2</b>      | <b>1,705.0</b>      | <b>-</b>              | <b>-</b>              |

### 14. Inventories

|   | 2023<br>Group<br>£m | 2022<br>Group<br>£m | 2023<br>Company<br>£m | 2022<br>Company<br>£m |
|---|---------------------|---------------------|-----------------------|-----------------------|
| Ex-operating lease assets held for sale (net) | 237.9               | 124.0               | -                     | -                     |

Inventories represent the operating lease assets previously held for rental to others and 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 £nil written 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 movements of the 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 (including insurance write-offs)     | (1,821.2)    |
| At 1 October 2022                              | 124.0        |
| Transfer from operating lease assets (note 13) | 2,613.6      |
| Disposals (including insurance write-offs)     | (2,499.7)    |
| <b>At 30 September 2023</b>                    | <b>237.9</b> |

## 15. Financial assets at amortised cost

|   | 2023<br>Group<br>£m | 2022<br>Group<br>£m | 2023<br>Company<br>£m | 2022<br>Company<br>£m |
|---|---------------------|---------------------|-----------------------|-----------------------|
| <b>Financial assets at amortised cost</b> |                     |                     |                       |                       |
| Fixed-income bonds                        | 319.0               | 280.2               | -                     | -                     |
| Reverse sale and repurchase agreements    | -                   | -                   | -                     | -                     |
| <b>Total</b>                              | <b>319.0</b>        | <b>280.2</b>        | <b>-</b>              | <b>-</b>              |
| Included in non-current assets            | 220.8               | 199.6               | -                     | -                     |
| Included in current assets                | 98.2                | 80.6                | -                     | -                     |
| <b>Financial assets at amortised cost</b> | <b>319.0</b>        | <b>280.2</b>        | <b>-</b>              | <b>-</b>              |

Financial assets at amortised cost are presented net of expected credit loss ("ECL") provisions of £0.3m (2022: £0.4m).

The following table details the contractual maturity of the Group's financial assets at amortised cost:

|   | 2023<br>Group<br>£m | 2022<br>Group<br>£m | 2023<br>Company<br>£m | 2022<br>Company<br>£m |
|---|---------------------|---------------------|-----------------------|-----------------------|
| On demand or no later than one year               | 98.2                | 80.6                | -                     | -                     |
| Later than one year and no later than two years   | 92.7                | 75.6                | -                     | -                     |
| Later than two years and no later than five years | 106.5               | 112.7               | -                     | -                     |
| Later than five years                             | 21.6                | 11.3                | -                     | -                     |
| <b>Total</b>                                      | <b>319.0</b>        | <b>280.2</b>        | <b>-</b>              | <b>-</b>              |

Allowances for impairment (ECL) of financial assets at amortised cost during the year decreased by £0.1m (2022: unchanged).

The carrying amounts and fair value of the assets are as follows:

|  | 2023 Group<br>carrying amount<br>£m | 2023 Group<br>fair value<br>£m | 2023 Company<br>carrying amount<br>£m | 2023 Company<br>fair value<br>£m |
|--|-------------------------------------|--------------------------------|---------------------------------------|----------------------------------|
| Current financial assets at amortised cost     | 98.2                                | 96.9                           | -                                     | -                                |
| Non-current financial assets at amortised cost | 220.8                               | 211.1                          | -                                     | -                                |
| <b>Total</b>                                   | <b>319.0</b>                        | <b>308.0</b>                   | <b>-</b>                              | <b>-</b>                         |

|  | 2022 Group<br>carrying amount<br>£m | 2022 Group<br>fair value<br>£m | 2022 Company<br>carrying amount<br>£m | 2022 Company<br>fair value<br>£m |
|--|-------------------------------------|--------------------------------|---------------------------------------|----------------------------------|
| Current financial assets at amortised cost     | 80.6                                | 79.6                           | -                                     | -                                |
| Non-current financial assets at amortised cost | 199.6                               | 182.0                          | -                                     | -                                |
| <b>Total</b>                                   | <b>280.2</b>                        | <b>261.6</b>                   | <b>-</b>                              | <b>-</b>                         |

### Fixed-income bonds

The Group's fixed-income bonds comprise investments in quoted debt securities, the majority of which are issued by institutions within the European Union. The bonds are rated A- or better by Standard and Poor's or A3 or better by Moody's. The average effective interest rate of the quoted debt securities is 2.3% per annum (2022: 1.9%), with coupon rates ranging from 0.1% to 7.0% per annum (2022: 0.1% to 7.0%). The fixed-income bonds are denominated in Sterling, which is the functional currency of the Group.



## Notes to the financial statements continued

### 16. Investment in subsidiaries

|  | 2023<br>£m | 2022<br>£m |
|--|------------|------------|
| Investment in subsidiaries at 30 September | 110.9      | 110.9      |

The Company's subsidiaries, which are all included in the consolidation, are set out below.

| Directly owned                | Registered office | Proportion of all classes of issued share capital owned by the Company | Principal activity                           |
|-------------------------------|-------------------|--|--|
| Motability Operations Limited | (I)               | 100%   | Operation of the Scheme                      |
| MO Reinsurance Limited        | (II)              | 100%   | Provision of Scheme reinsurance arrangements |

(I) City Gate House, 22 Southwark Bridge Road, London, England, SE1 9HB.

(II) Third Floor, St George's Court, Upper Church Street, Douglas, Isle of Man, IM1 1EE.

Motability Operations Limited is incorporated in the United Kingdom; MO Reinsurance Limited is incorporated in the Isle of Man. The Directors consider that the carrying amount of the investment in subsidiaries approximates to their fair value.

During the year Motability Operations Group plc received dividends of £nil (2022: £nil) from MO Reinsurance Limited.

### Loans to Group companies

|                               | 2023<br>Company<br>£m | 2022<br>Company<br>£m |
|-------------------------------|-----------------------|-----------------------|
| Motability Operations Limited | 7,008.9               | 5,819.4               |
| <b>Total</b>                  | <b>7,008.9</b>        | <b>5,819.4</b>        |

|  | 2023<br>Company<br>£m | 2022<br>Company<br>£m |
|--|-----------------------|-----------------------|
| Loans to Group companies – non-current | 7,008.9               | 5,819.4               |
| <b>Total</b>                           | <b>7,008.9</b>        | <b>5,819.4</b>        |

The loans to Group companies do not have a defined maturity (see note 36).

During the year the Company received interest payments of £222.0m (2022: £195.4m) in respect of loans to Group companies.

The Directors consider that the carrying amount of the loans to Group companies approximates to their fair value.

### 17. Cash and cash equivalents

|                                    | 2023<br>Group<br>£m | 2022<br>Group<br>£m | 2023<br>Company<br>£m | 2022<br>Company<br>£m |
|------------------------------------|---------------------|---------------------|-----------------------|-----------------------|
| Cleared balances                   | 186.6               | 769.2               | 101.0                 | 640.0                 |
| Cash in the course of collection   | 0.2                 | 0.1                 | –                     | –                     |
| <b>Cash and bank balances</b>      | <b>186.8</b>        | <b>769.3</b>        | <b>101.0</b>          | <b>640.0</b>          |
| Cleared overdrafts                 | –                   | –                   | –                     | –                     |
| Cash in the course of transmission | (106.5)             | (60.3)              | –                     | –                     |
| <b>Cash and cash equivalents</b>   | <b>80.3</b>         | <b>709.0</b>        | <b>101.0</b>          | <b>640.0</b>          |

Cash and bank balances comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amounts 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.

## 18. Insurance receivables

|  | 2023<br>Group<br>£m | 2022<br>Group<br>£m | 2023<br>Company<br>£m | 2022<br>Company<br>£m |
|--|---------------------|---------------------|-----------------------|-----------------------|
| Insurance premium debtor                                 | 43.8                | 32.6                | –                     | –                     |
| Claims recoveries and rebates                            | 1.9                 | 2.0                 | –                     | –                     |
| Reinsurance claims recoveries and commissions receivable | 53.2                | 22.4                | –                     | –                     |
| <b>Total insurance receivables</b>                       | <b>98.9</b>         | <b>57.0</b>         | <b>–</b>              | <b>–</b>              |

All insurance receivables are stated at their fair value and are not considered to be impaired.

## 19. Trade and other receivables

|                                | 2023<br>Group<br>£m | 2022<br>Group<br>£m | 2023<br>Company<br>£m | 2022<br>Company<br>£m |
|--------------------------------|---------------------|---------------------|-----------------------|-----------------------|
| Trade receivables              | 146.1               | 69.3                | –                     | –                     |
| Other receivables              | 156.2               | 84.0                | 77.4                  | –                     |
| Prepayments and accrued income | 317.8               | 119.9               | 4.5                   | 1.9                   |
| <b>Total</b>                   | <b>620.1</b>        | <b>273.2</b>        | <b>81.9</b>           | <b>1.9</b>            |
| Included in current assets     | 472.7               | 256.0               | 78.0                  | 1.9                   |
| Included in non-current assets | 147.4               | 17.2                | 3.9                   | –                     |
| <b>Total</b>                   | <b>620.1</b>        | <b>273.2</b>        | <b>81.9</b>           | <b>1.9</b>            |

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 £0.1m increase to the provisions and £nil receivables written off (2022: £nil decrease in provisions 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 Group's principal source of rental income is from customers who assign their allowances to the Group via the Department for Work and Pensions ("DWP") in order to access the Scheme. This process of assigning allowances ensures that the Group's rental income flows directly from the DWP to the Group and hence rental credit risk is very low. A small residual credit risk arises from miscellaneous customer billings and monies due from dealers, auction houses and vehicle manufacturers. The Group's management carries out regular credit assessments of the limits set for auction houses, manufacturers and dealers.

Included in the Group's trade receivables balance are receivables with a carrying value of £6.7m (2022: £3.5m) which are past due at the reporting date. The Group 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 Group 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<br>Group<br>£m | 2022<br>Group<br>£m | 2023<br>Company<br>£m | 2022<br>Company<br>£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 | –                   | –                   | –                     | –                     |
| <b>Total</b>                   | <b>6.7</b>          | <b>3.5</b>          | <b>–</b>              | <b>–</b>              |



## 20. Deferred rental income

|                                | 2023<br>Group<br>£m | 2022<br>Group<br>£m | 2023<br>Company<br>£m | 2022<br>Company<br>£m |
|--------------------------------|---------------------|---------------------|-----------------------|-----------------------|
| <b>Current</b>                 |                     |                     |                       |                       |
| Customers' advance payments*   | 237.0               | 178.4               | -                     | -                     |
| Vehicle in-life service income | 2.0                 | 18.6                | -                     | -                     |
| Vehicle insurance income       | (3.0)               | 6.1                 | -                     | -                     |
| <b>Total current</b>           | <b>236.0</b>        | <b>203.1</b>        | <b>-</b>              | <b>-</b>              |
| <b>Non-current</b>             |                     |                     |                       |                       |
| Customers' advance payments*   | 275.9               | 178.7               | -                     | -                     |
| Vehicle in-life service income | 79.8                | 58.0                | -                     | -                     |
| Vehicle insurance income       | 26.9                | 22.4                | -                     | -                     |
| <b>Total non-current</b>       | <b>382.6</b>        | <b>259.1</b>        | <b>-</b>              | <b>-</b>              |
| <b>Total</b>                   | <b>618.6</b>        | <b>462.2</b>        | <b>-</b>              | <b>-</b>              |

\* Customers may choose a leased vehicle where the price exceeds the mobility allowance. In such cases they make an advance payment which is recognised on a straight-line basis 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<br>income<br>£m | Insurance<br>income<br>£m | Total<br>£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 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         |
| <b>At 30 September 2023</b>  | <b>81.8</b>                      | <b>23.9</b>               | <b>105.7</b> |

## 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 periods after the balance sheet date are:

|   | 2023<br>Group<br>£m | 2022<br>Group<br>£m | 2023<br>Company<br>£m | 2022<br>Company<br>£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                 | -                     | -                     |
| <b>Total</b>  | <b>378.9</b>        | <b>284.4</b>        | <b>-</b>              | <b>-</b>              |

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

|   | 2023<br>Group<br>£m | 2022<br>Group<br>£m | 2023<br>Company<br>£m | 2022<br>Company<br>£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                 | -                     | -                     |
| <b>Total</b>  | <b>994.3</b>        | <b>712.0</b>        | <b>-</b>              | <b>-</b>              |

## 21. Provision for customer rebates

|   | Rental refund liability<br>£m | Good condition payments<br>£m | Return to dealer payments<br>£m | WAV support<br>£m | Total<br>£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)     |
| <b>At 30 September 2023</b>                   | <b>–</b>                      | <b>56.1</b>                   | <b>0.6</b>                      | <b>–</b>          | <b>56.7</b> |

### Analysis of provisions

|                                     | 2023<br>£m  | 2022<br>£m   |
|-------------------------------------|-------------|--------------|
| Included in non-current liabilities | 24.0        | 87.0         |
| Included in current liabilities     | 32.7        | 136.6        |
| <b>Total</b>                        | <b>56.7</b> | <b>223.6</b> |

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

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

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

## 22. Insurance payables

|  | 2023<br>Group<br>£m | 2022<br>Group<br>£m | 2023<br>Company<br>£m | 2022<br>Company<br>£m |
|--|---------------------|---------------------|-----------------------|-----------------------|
| Reinsurance premiums payable               | 3.9                 | 8.8                 | –                     | –                     |
| Commissions and administration fee payable | 21.5                | 7.4                 | –                     | –                     |
| Claims reimbursements payable              | 48.1                | 36.3                | –                     | –                     |
| <b>Total insurance payables</b>            | <b>73.5</b>         | <b>52.5</b>         | <b>–</b>              | <b>–</b>              |

The carrying value of insurance payables approximates to fair value.

## 23. Trade and other payables

|                                    | 2023<br>Group<br>£m | 2022<br>Group<br>£m | 2023<br>Company<br>£m | 2022<br>Company<br>£m |
|------------------------------------|---------------------|---------------------|-----------------------|-----------------------|
| Trade payables                     | 141.5               | 54.3                | –                     | –                     |
| Social security and other taxes    | 2.6                 | 2.1                 | –                     | –                     |
| Accruals                           | 142.9               | 121.0               | –                     | –                     |
| Other payables                     | –                   | 0.9                 | –                     | –                     |
| Inter-company payable              | –                   | –                   | –                     | 494.4                 |
| Advance payments received from DWP | 4.9                 | 5.6                 | –                     | –                     |
| <b>Total</b>                       | <b>291.9</b>        | <b>183.9</b>        | <b>–</b>              | <b>494.4</b>          |

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs.

The Group's trade purchases 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.



## 24. Provision for insurance claims outstanding and insurance risk management

### Insurance risk management

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is defined although occurrence is random and therefore unpredictable. The principal risks of insurance relate to underwriting and insurance provision (reserving) risk. Underwriting risks arise out of day-to-day activities in underwriting contracts of insurance, as well as risks associated with outward reinsurance. Insurance provision (reserving) risk is the possibility that actual claims payments differ from the carrying amount of the insurance reserves. This could occur because the frequency or severity of claims is greater or less than estimated.

The Group manages this risk through a proactive approach, including:

- regular Board and insurance steering committee meetings, at which the claims information is analysed together with any material changes to the risk;
- the Board recognising that it is responsible for the assessment of the total cost of risk and setting of premiums which are commensurate with the exposure, revisable on a six-monthly basis based upon actuarially forecast information;
- the purchase of reinsurance to protect against losses exceeding individual or cumulative risk tolerances;
- insurance managers' receipt of claims data on a monthly basis, the content of which is reviewed and any unexpected movements queried;
- significant individual losses being notified separately and the development of claims monitored;
- appointment of independent third-party claims handlers, selected on the basis of their ability to manage significant claims volumes whilst negotiating efficient and equitable claims settlements; and
- a system of review is in place whereby all claims in excess of £250,000 are reported separately to the Group.

The Directors of the Group are responsible for ensuring that the premiums charged under the insurance contracts are commensurate with the estimated value of claims, operational costs and any remaining exposure presented to the Group. For all risks, the quantum of individual claims is managed by a prescribed system of proactive claims handling by the appointed claims handler.

### Motor insurance risks

The Group provides 80% motor quota-share reinsurance in respect of the fleet block insurance policy. Comprehensive cover is provided including motor own damage, motor third-party damage and motor third-party liability. Due to the nature of this class of business, the frequency and severity of insured losses is difficult to predict. The Group mitigates its exposure through the purchase of appropriate reinsurance.

### Sources of uncertainty in the estimation of future claim payments

Claims in respect of the motor quota-share reinsurance are payable on a loss-occurring basis. The Group is liable for all insured events that occur during the term of the contract. There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the timing of claims settlements. The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is possible that the final outcome will prove to be different from the original liability established.

The estimation of the incurred but not reported (IBNR) reserve is determined by utilising an actuarial assessment and is based on historical claims experience. In estimating the liability for the cost of reported claims not yet paid, the Group considers any information available from loss adjusters and legal advisers and information on the cost of settling claims with similar characteristics in previous periods.

### Reinsurance contracts

The Group has limited its motor risk exposure by the purchase of reinsurance. Quota-share reinsurance has been purchased to protect the Group against any individual losses exceeding the Group's net retention of £40,000 (2022: £40,000) each and every claim. Excess of loss reinsurance protects the Group and ceding insurer against individual losses exceeding £5,000,000 (2022: £5,000,000) each and every claim.

Stop Loss reinsurance protects the Group against accumulation of losses as shown below. The Group's exposure above these limits is unlimited.

## 24. Provision for insurance claims outstanding and insurance risk management continued

### Insurance risk management continued

**For the period of insurance from 1 October 2022 to 31 August 2023:**

50% order on losses exceeding 123% of the Company's net earned premium income or £397,617,000 in the aggregate whichever is the lesser. Stop loss reinsurance cover is limited to a maximum of 131.6% of net premium earned or £27,799,000 in the aggregate, whichever is the lesser.

50% order on losses exceeding 113.9% of the Company's net earned premium income or £368,125,000 in the aggregate whichever is the lesser. Stop loss reinsurance cover is limited to a maximum of 121.9% of net premium earned or £25,737,000 in the aggregate, whichever is the lesser

**For the period of reinsurance from 1 September 2023 to 30 September 2024:**

| Order | Losses exceeding the lesser of           |                         | Cover limited to the lesser of        |                         |
|-------|--|-------------------------|---------------------------------------|-------------------------|
|       | the percentage of net earned premium; or | Amount in the aggregate | a maximum % of net earned premium; or | Amount in the aggregate |
| 75%   | 123%                                     | £495,701,000            | 8.2%                                  | £33,156,000             |
| 20%   | 128%                                     | £515,913,000            | 8.2%                                  | £33,156,000             |
| 5%    | 125%                                     | £515,913,000            | 8.2%                                  | £33,156,000             |

Cover protected the Group against accumulation of losses in the prior year exceeding 123.11% of the Group's net earned premium income or £392,627,000 in the aggregate, whichever is the lesser.

Claims which have not been recovered from reinsurers at the balance sheet date are included in insurance receivables in the balance sheet and are deemed to be fully recoverable. The Group manages its reinsurance risk through:

- regular Board and insurance steering committee meetings, at which the reinsurance markets are considered;
- the Group's policy to only select those reinsurers that have a minimum credit rating of A- or better;
- significant individual losses being notified separately and the development of the claim being monitored; and
- independent third-party reinsurance brokers being appointed on the basis of their ability to negotiate, recommend and place reinsurance with appropriate markets.

### Provision for insurance claims outstanding

These provisions are comprised of specific claims reserves including adjustments for insurance claims incurred but not reported.

#### Claims reserves including IBNR

Claims reserves are stated gross of losses recoverable from reinsurers. Claims reserves are based on assumptions regarding past claims experience and on assessments by an independent claims handler, and are intended to provide a best estimate of the most likely or expected outcome. The ultimate liabilities will vary as a result of subsequent developments. Differences resulting from reassessment of the ultimate liabilities are recognised in subsequent financial statements.

|                                      | 2023<br>Group<br>£m | 2022<br>Group<br>£m | 2023<br>Company<br>£m | 2022<br>Company<br>£m |
|--------------------------------------|---------------------|---------------------|-----------------------|-----------------------|
| <b>Motor quota-share reinsurance</b> |                     |                     |                       |                       |
| Notified claims reserves             | 570.0               | 510.9               | -                     | -                     |
| IBNR reserve                         | 168.8               | 156.5               | -                     | -                     |
| IBNR recoveries                      | (93.8)              | (90.0)              | -                     | -                     |
| Third-party recoveries reserve       | (72.5)              | (57.8)              | -                     | -                     |
| Reinsurance recoveries reserve       | (357.8)             | (341.1)             | -                     | -                     |
| <b>Total net retained</b>            | <b>214.7</b>        | <b>178.5</b>        | <b>-</b>              | <b>-</b>              |
| Included in liabilities              | 738.8               | 667.4               | -                     | -                     |
| Included in assets                   | (524.1)             | (488.9)             | -                     | -                     |
| <b>Total net retained</b>            | <b>214.7</b>        | <b>178.5</b>        | <b>-</b>              | <b>-</b>              |

## 24. Provision for insurance claims outstanding and insurance risk management continued

### Provision for insurance claims outstanding continued

The Board utilises the Group actuary to undertake an actuarial study of the motor quota-share reinsurance claims reserves. The Group actuary has used a combination of methods to determine the estimate. The methods adopted are summarised below:

#### Chain Ladder method

The Chain Ladder method uses the development profile of paid or incurred claims on historical accident years to project the more recent accident years to their ultimate position.

#### Expected Burning Cost method

This method takes an assumed initial expected burning cost and estimates the ultimate cost directly based on this initial expectation. The initial expected burning cost has been derived based on the historical ultimate cost (from the Chain Ladder method on either paid or incurred claims as deemed appropriate) adjusted for frequency and average severity inflation as appropriate.

#### Bornhuetter-Ferguson method

This method takes as a starting point an assumed initial expected burning cost and blends in the burning cost implied by the experience to date (based on the historical claim development pattern).

#### Average Cost per Claim method

This method uses an ultimate average cost multiplied by a selected ultimate number of claims. The ultimate number of claims has been derived using the Chain Ladder method for each claims type and band. The ultimate average cost has been derived by creating an average cost development triangle and then applying the Chain Ladder method.

The Directors have considered the report of the Group actuary and the peer review of an independent actuary, and the pattern of development is believed to be sufficiently consistent period on period to provide an appropriate basis to establish additional reserves.

### Line items in the Group accounts

The following claims development tables flow through to note 5 (Segmental reporting) and note 6 (Net operating costs) as follows:

|   | 2023<br>Group<br>£m | 2022<br>Group<br>£m | 2023<br>Company<br>£m | 2022<br>Company<br>£m |
|---|---------------------|---------------------|-----------------------|-----------------------|
| <b>Insurance claims and commission costs</b>                |                     |                     |                       |                       |
| Current year claims including IBNR                          | 321.3               | 261.8               | -                     | -                     |
| Prior year claims   | (18.3)              | (4.1)               | -                     | -                     |
| Reinsurance commissions, MIB levies and administration fees | (22.3)              | (27.9)              | -                     | -                     |
| <b>Insurance claims and commission costs</b>                | <b>280.7</b>        | <b>229.8</b>        | <b>-</b>              | <b>-</b>              |

During the year reinsurance commissions of £36.0m were booked (2022: £39.2m) comprising a guaranteed element of £11.3m (2022: £5.4m) and a variable element of £24.7m (2022: £33.8m).



## 24. Provision for insurance claims outstanding and insurance risk management continued

### Motor quota-share reinsurance

The development of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims. The top half of each table below illustrates how the Group's estimate of total claims outstanding for each underwriting period has changed at successive period ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the balance sheet. An underwriting year basis is considered to be most appropriate for the business written by the Group.

|  | Underwriting<br>year<br>2018<br>£m | Underwriting<br>year<br>2019<br>£m | Underwriting<br>year<br>2020<br>£m | Underwriting<br>year<br>2021<br>£m | Underwriting<br>year<br>2022<br>£m | Underwriting<br>year<br>2023<br>£m | Total<br>£m  |
|--|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|--------------|
| <b>Estimate of ultimate claims cost</b>              |                                    |                                    |                                    |                                    |                                    |                                    |              |
| At end of reporting year                             | 348.5                              | 401.3                              | 354.8                              | 373.8                              | 448.0                              | 542.9                              |              |
| One year later                                       | 384.6                              | 399.0                              | 364.2                              | 376.0                              | 464.6                              |                                    |              |
| Two years later                                      | 391.5                              | 396.0                              | 353.6                              | 364.8                              |                                    |                                    |              |
| Three years later                                    | 382.2                              | 394.7                              | 342.1                              |                                    |                                    |                                    |              |
| Four years later                                     | 370.7                              | 390.7                              |                                    |                                    |                                    |                                    |              |
| Five years later                                     | 357.3                              |                                    |                                    |                                    |                                    |                                    |              |
| Current estimate of cumulative claims                | 357.3                              | 390.7                              | 342.1                              | 364.8                              | 464.6                              | 542.9                              | 2,462.4      |
| Cumulative payments to date                          | (360.3)                            | (358.6)                            | (303.7)                            | (298.2)                            | (351.5)                            | (253.3)                            | (1,925.6)    |
| Rebates  | 26.4                               | 25.9                               | 26.4                               | 26.7                               | 28.0                               | 27.4                               | 160.8        |
| Claims reserves included in the balance sheet        | 23.4                               | 58.0                               | 64.8                               | 93.3                               | 141.1                              | 317.0                              | 697.6        |
| Claims reserves in respect of prior periods          |                                    |                                    |                                    |                                    |                                    |                                    | 41.2         |
| <b>Total liability included in the balance sheet</b> |                                    |                                    |                                    |                                    |                                    |                                    | <b>738.8</b> |

The above table is gross of the effects of reinsurance but net of subrogated claims recoveries. Rebates are amounts received relating to volume, referral and wholesale discounts from trade partners, which have reduced the cost of claims to the Group.

### Current underwriting year

Claims severity continued to rise during 2023 due to the increase in inflation caused by global economic factors, supply constraints and subsequent impact on repair cost inflation and increase in repair times.

MORL has also experienced some operational delays caused by the transition from RSA to DLG which has increased the time to settle and cost per claim.

### Prior underwriting years

Projected ultimate claims for prior years have decreased due to an improvement in the outlook of small and large bodily injury claims and the improved outlook on large claims overall.

The Company continues to see indications of an improvement in small bodily injury claims due to the impact of the whiplash claims reforms in England and Wales, fully implemented in 2021.

## 24. Provision for insurance claims outstanding and insurance risk management continued

| Estimate of ultimate claims cost net of reinsurance                        | Underwriting year 2018<br>£m | Underwriting year 2019<br>£m | Underwriting year 2020<br>£m | Underwriting year 2021<br>£m | Underwriting year 2022<br>£m | Underwriting year 2023<br>£m | Total<br>£m  |
|--|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|--------------|
| At end of reporting year   | 227.8                        | 247.1                        | 209.7                        | 220.6                        | 289.8                        | 348.2                        |              |
| One year later   | 236.0                        | 235.0                        | 209.0                        | 220.2                        | 278.1                        |                              |              |
| Two years later  | 232.8                        | 239.8                        | 206.6                        | 215.8                        |                              |                              |              |
| Three years later  | 234.6                        | 239.7                        | 205.0                        |                              |                              |                              |              |
| Four years later   | 234.3                        | 238.4                        |                              |                              |                              |                              |              |
| Five years later   | 234.1                        |                              |                              |                              |                              |                              |              |
| Current estimate of cumulative claims                                      | 234.1                        | 238.4                        | 205.0                        | 215.8                        | 278.1                        | 348.2                        | 1,519.6      |
| Cumulative payments to date  | (259.2)                      | (261.1)                      | (224.3)                      | (228.7)                      | (273.6)                      | (219.8)                      | (1,466.7)    |
| Rebates  | 26.4                         | 25.9                         | 26.4                         | 26.8                         | 28.0                         | 27.4                         | 160.9        |
| Claims reserves included in the balance sheet, net of recoveries           | 1.3                          | 3.2                          | 7.1                          | 13.9                         | 32.5                         | 155.8                        | 213.8        |
| Claims reserves in respect of prior periods                                |                              |                              |                              |                              |                              |                              | 0.9          |
| <b>Total net liability included in the statement of financial position</b> |                              |                              |                              |                              |                              |                              | <b>214.7</b> |
| <b>Comprises:</b>  |                              |                              |                              |                              |                              |                              |              |
| Specific claims reserves including IBNR                                    |                              |                              |                              |                              |                              |                              | 738.8        |
| Third-party recoveries reserve   |                              |                              |                              |                              |                              |                              | (72.5)       |
| Reinsurance recoveries reserve   |                              |                              |                              |                              |                              |                              | (451.6)      |
| <b>Total</b>   |                              |                              |                              |                              |                              |                              | <b>214.7</b> |

MORL expects underwriting losses in 2022/23 reflecting higher-than-expected inflation on accidental damage claims, driven by wider market effects as well as impacts from the transition from RSA to DLG. This is partly offset by good performance on small bodily injury claims, reflecting continued benefits of the 2021 whiplash claims reforms in England and Wales.

### Movements in insurance liabilities

|                                     | 2023        |                  |           | 2022        |                  |           |
|-------------------------------------|-------------|------------------|-----------|-------------|------------------|-----------|
|                                     | Gross<br>£m | Recoveries<br>£m | Net<br>£m | Gross<br>£m | Recoveries<br>£m | Net<br>£m |
| <b>Claims</b>                       |             |                  |           |             |                  |           |
| Notified claims including IBNR      | 667.4       | (431.1)          | 236.3     | 584.0       | (405.6)          | 178.4     |
| Notified claims recoveries          | (57.8)      | -                | (57.8)    | (48.8)      | -                | (48.8)    |
| <b>Total at beginning of year</b>   | 609.6       | (431.1)          | 178.5     | 535.2       | (405.6)          | 129.6     |
| <b>Cash paid for claims settled</b> |             |                  |           |             |                  |           |
| In the year                         | (329.3)     | 62.5             | (266.8)   | (244.4)     | 35.6             | (208.8)   |
| <b>Movement in liabilities</b>      |             |                  |           |             |                  |           |
| Current year claims including IBNR  | 434.1       | (112.8)          | 321.3     | 357.1       | (95.3)           | 261.8     |
| Prior year claims                   | (48.1)      | 29.8             | (18.3)    | (38.3)      | 34.2             | (4.1)     |
| <b>Total at end of year</b>         | 666.3       | (451.6)          | 214.7     | 609.6       | (431.1)          | 178.5     |
| Notified claims including IBNR      | 738.8       | (451.6)          | 287.2     | 667.4       | (431.1)          | 236.3     |
| Notified claims recoveries          | (72.5)      | -                | (72.5)    | (57.8)      | -                | (57.8)    |
| <b>Total at end of year</b>         | 666.3       | (451.6)          | 214.7     | 609.6       | (431.1)          | 178.5     |

Notified claims recoveries and reinsurance on notified claims are included within insurance receivables.

## 25. Financial liabilities

|  | 2023<br>Group<br>£m | 2022<br>Group<br>£m | 2023<br>Company<br>£m | 2022<br>Company<br>£m |
|--|---------------------|---------------------|-----------------------|-----------------------|
| <b>Current</b>   |                     |                     |                       |                       |
| Accrued interest and coupon  | 36.0                | 28.5                | 36.0                  | 28.5                  |
| Cash in the course of transmission   | 106.5               | 60.3                | –                     | –                     |
| Bank loans   | 150.0               | 399.8               | 150.0                 | 399.8                 |
| Bank overdrafts  | –                   | –                   | –                     | –                     |
| Debt issued under the Euro Medium Term Note Programme<br>(less unamortised discount and transaction costs) | –                   | 482.2               | –                     | 482.2                 |
| Right-of-use asset lease liabilities   | 3.5                 | 4.0                 | –                     | –                     |
| <b>Total current</b>   | <b>296.0</b>        | <b>974.8</b>        | <b>186.0</b>          | <b>910.5</b>          |
| <b>Non-current</b>   |                     |                     |                       |                       |
| Bank loans   | 399.0               | –                   | 399.0                 | –                     |
| Debt issued under the Euro Medium Term Note Programme<br>(less unamortised discount and transaction costs) | 6,365.3             | 4,954.9             | 6,365.3               | 4,954.9               |
| Preference shares  | 10.0                | 10.0                | 10.0                  | 10.0                  |
| Provision for restoration works*   | 5.6                 | 7.3                 | –                     | –                     |
| Right-of-use asset lease liabilities   | 12.0                | 38.6                | –                     | –                     |
| <b>Total non-current</b>   | <b>6,791.9</b>      | <b>5,010.8</b>      | <b>6,774.3</b>        | <b>4,964.9</b>        |
| <b>Total</b>   | <b>7,087.9</b>      | <b>5,985.6</b>      | <b>6,960.3</b>        | <b>5,875.4</b>        |
| The financial liabilities are repayable as follows:  |                     |                     |                       |                       |
| On demand or no later than one year  | 296.0               | 974.8               | 186.0                 | 910.5                 |
| Later than one year and no later than two years  | 435.5               | 4.0                 | 433.3                 | –                     |
| Later than two years and no later than five years  | 1,967.3             | 1,572.4             | 1,961.2               | 1,561.9               |
| Later than five years  | 4,389.1             | 3,434.4             | 4,379.8               | 3,403.0               |
| <b>Total</b>   | <b>7,087.9</b>      | <b>5,985.6</b>      | <b>6,960.3</b>        | <b>5,875.4</b>        |

All borrowings are denominated in (or swapped into) Sterling.

\* 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.

### Bank borrowings

All bank borrowings as at 30 September 2023 and 2022 are at floating rates.

As at 30 September 2023 the Group has the following principal bank loans:

- a five-year term loan of £0.4bn taken out on 31 October 2022; and
- a five-year revolving credit facility of £1.5bn taken out on 31 October 2022, of which £150.0m was drawn on 30 September 2023 (2022: £nil). The facility repayment date is 31 October 2027.

All bank borrowings carry overnight SONIA interest rates plus bank margins at a market rate.



## 25. Financial liabilities continued

### Debt issued under the Euro Medium Term Note Programme

Bonds issued under the Euro Medium Term Note Programme, net of unamortised discounts and issue costs, are analysed as follows:

|                                | 30 September<br>2023<br>£m | 30 September<br>2022<br>£m |
|--------------------------------|----------------------------|----------------------------|
| 1.625% Eurobond due 2023 (V)   | –                          | 482.2                      |
| 0.875% Eurobond due 2025 (I)   | 433.3                      | 438.6                      |
| 0.375% Eurobond due 2026 (II)  | 519.8                      | 526.1                      |
| 3.750% Sterling bond due 2026  | 299.2                      | 298.9                      |
| 4.375% Sterling bond due 2027  | 298.7                      | 298.3                      |
| 0.125% Eurobond due 2028 (III) | 432.9                      | 438.2                      |
| 1.750% Sterling bond due 2029  | 396.2                      | 395.5                      |
| 5.625% Sterling bond due 2030  | 299.1                      | 299.0                      |
| 3.500% Eurobond due 2031 (IV)  | 432.6                      | –                          |
| 2.375% Sterling bond due 2032  | 346.5                      | 346.1                      |
| 5.625% Sterling bond due 2035  | 246.3                      | –                          |
| 3.625% Sterling bond due 2036  | 592.5                      | 591.9                      |
| 2.375% Sterling bond due 2039  | 490.6                      | 490.0                      |
| 1.500% Sterling bond due 2041  | 344.4                      | 344.1                      |
| 2.125% Sterling bond due 2042  | 488.8                      | 488.2                      |
| 4.875% Sterling bond due 2043  | 347.2                      | –                          |
| 5.750% Sterling bond due 2048  | 397.2                      | –                          |
|                                | <b>6,365.3</b>             | <b>5,437.1</b>             |

- (I) The repayment obligation in respect of the Eurobonds of €500m (£433.4m) is hedged by cross-currency swap contracts (note 25) for the purchase of €500m and for the sale of £433.8m and is carried in the balance sheet net of the unamortised balance of the issuance costs.
- (II) The repayment obligation in respect of the Eurobonds of €600m (£520.0m) is hedged by cross-currency swap contracts (note 25) for the purchase of €600m and for the sale of £538.2m and is carried in the balance sheet net of the unamortised balance of the issuance costs.
- (III) The repayment obligation in respect of the Eurobonds of €500m (£433.4m) is hedged by cross-currency swap contracts (note 25) for the purchase of €500m and for the sale of £445.0m and is carried in the balance sheet net of the unamortised balance of the issuance costs.
- (IV) The repayment obligation in respect of the Eurobonds of €500m (£433.4m) is hedged by cross-currency swap contracts (note 25) for the purchase of €500m and for the sale of £441.8m and is carried in the balance sheet net of the unamortised balance of the issuance costs.
- (V) On 9 June 2023 the Eurobond of €550m at 1.625% matured.

The Company has a £6.5bn Euro Medium Term Note Programme with 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 of the Company is unconditionally and irrevocably guaranteed on a joint and several basis by Motability Operations Limited, a wholly-owned subsidiary. The payments of all amounts due in respect of notes will be unconditionally and irrevocably guaranteed on a joint and several basis by Motability Operations Limited.

During the year ended 30 September and the previous two financial years the Group has issued the following bonds:

- a £250m Sterling bond with a rate of 5.625% issued on 11 September 2023 and expiring on 11 September 2035
- a £400m Sterling bond with a rate of 5.750% issued on 11 September 2023 and expiring on 11 September 2048
- a £350m Sterling bond with a rate of 4.875% issued on 17 January 2023 and expiring on 17 January 2043
- a €500m Eurobond with a rate of 3.500% issued on 17 January 2023 and expiring on 17 July 2031
- a £500m Sterling bond with a rate of 2.125% issued on 18 January 2022 and expiring on 18 January 2042
- a €500m Eurobond with a rate of 0.125% issued on 20 January 2021 and expiring on 20 July 2028
- a £350m Sterling bond with a rate of 1.500% issued on 20 January 2021 and expiring on 20 January 2041

### Other comprehensive income and hedging reserve

Repayment obligations under Eurobonds and floating rate term loans are hedged to maturity against both currency and interest rate risk. Eurobonds are revalued at every balance sheet date using the closing exchange rate (i.e. the spot rate at the balance sheet date) in accordance with IAS 21. Hedging derivatives are shown at fair value at the balance sheet date. The fair value is determined by discounting the future Sterling and Euro cash flows arising from the swaps to their present values and then translating the Euro-denominated elements into Sterling using the closing exchange rate.

## Notes to the financial statements continued

### 25. Financial liabilities continued

Under the cash flow hedge accounting rules outlined in IFRS 9, to the extent the hedge remains effective, any resulting net valuation difference is shown (after tax) as a hedging reserve on the balance sheet, and any movements in the hedging reserve are recognised as other comprehensive income rather than through the income statement.

When exchange rates or expected interest rates change, this can lead to large fluctuations in these valuations. At 30 September 2023, the Eurobond debt liability was decreased by £38.8m (30 Sep 2022: was increased by £67.2m). This movement of £106.0m is a result of Sterling strengthening against the Euro to 1.15 (2022: 1.14). The associated assets and liabilities relating to derivatives at 30 September 2023 were a net liability of £22.2m (30 Sep 2022: net asset of £134.2m). This movement of £156.4m is a result of a decrease in valuation. The net valuation difference at 30 September 2023 is therefore an asset of £16.6m which, after tax at 25%, leads to a hedging reserve of £12.5m. A further £0.4m hedging reserve is held in respect of USD held at 30 Sep 2023 (30 Sep 22: £nil) to meet future liabilities in USD under an IT contract.

#### Preference shares

Cumulative preference shares of £9,950,000 were issued on 30 June 2008 at an issue price of £1 per share. The shares carry interest at 7%. The preference shares of the Group are classified as a financial liability in accordance with the contractual obligation to deliver cash both as annual dividends and in the form of the repayment of principal to the shareholders on winding up as stated in the Memorandum and Articles of Association of the Company.

The weighted average interest rates on borrowings as at 30 September 2023 and 30 September 2022 were as follows:

|   | 2023<br>Group<br>% | 2022<br>Group<br>% | 2023<br>Company<br>% | 2022<br>Company<br>% |
|---|--------------------|--------------------|----------------------|----------------------|
| Current bank loans and overdrafts                                 | 5.9                | 1.7                | 5.9                  | 1.7                  |
| Non-current bank loans  | 5.9                | –                  | 5.9                  | –                    |
| Non-current debt issued under the Euro Medium Term Note Programme | 3.2                | 2.6                | 3.2                  | 2.6                  |
| Non-current preference shares                                     | 7.0                | 7.0                | 7.0                  | 7.0                  |

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

|                           | 2023<br>Group<br>£m | 2022<br>Group<br>£m | 2023<br>Company<br>£m | 2022<br>Company<br>£m |
|---------------------------|---------------------|---------------------|-----------------------|-----------------------|
| Working capital facility  | 99.6                | 100.0               | 99.6                  | 90.0*                 |
| Revolving credit facility | 1,350.0             | 1,500.0             | 1,350.0               | 1,500.0               |
| <b>Total</b>              | <b>1,449.6</b>      | <b>1,600.0</b>      | <b>1,449.6</b>        | <b>1,590.0</b>        |

\* Working capital facilities of the Group are cross-guaranteed between Group companies Motability Operations Limited and Motability Operations Group plc.

Undrawn committed facilities expire as follows:

|   | 2023<br>Group<br>£m | 2022<br>Group<br>£m | 2023<br>Company<br>£m | 2022<br>Company<br>£m |
|---|---------------------|---------------------|-----------------------|-----------------------|
| No later than one year                            | –                   | 1,600.0             | –                     | 1,590.0               |
| Later than one year and no later than two years   | 99.6                | –                   | 99.6                  | –                     |
| Later than two years and no later than five years | 1,350.0             | –                   | 1,350.0               | –                     |
| <b>Total</b>                                      | <b>1,449.6</b>      | <b>1,600.0</b>      | <b>1,449.6</b>        | <b>1,590.0</b>        |

### 26. Derivative financial instruments

|  | Group 2023       |                           | Company 2023     |                           |
|--|------------------|---------------------------|------------------|---------------------------|
|  | Fair value<br>£m | Notional<br>amounts<br>£m | Fair value<br>£m | Notional<br>amounts<br>£m |
| <b>Cash flow hedges</b>                            |                  |                           |                  |                           |
| Cross-currency swaps                               | (26.5)           | 1,858.9                   | (26.5)           | 1,858.9                   |
| Interest rate swaps                                | 4.3              | 400.0                     | 4.3              | 400.0                     |
| <b>Total</b>                                       | <b>(22.2)</b>    | <b>2,258.9</b>            | <b>(22.2)</b>    | <b>2,258.9</b>            |
| Included in non-current liabilities                | (28.1)           | 1,425.1                   | (28.1)           | 1,425.1                   |
| Included in current liabilities                    | –                | –                         | –                | –                         |
| <b>Derivative financial instrument liabilities</b> | <b>(28.1)</b>    | <b>1,425.1</b>            | <b>(28.1)</b>    | <b>1,425.1</b>            |
| Included in non-current assets                     | 5.2              | 633.8                     | 5.2              | 633.8                     |
| Included in current assets                         | 0.8              | 200.0                     | 0.8              | 200.0                     |
| <b>Derivative financial instrument assets</b>      | <b>6.0</b>       | <b>833.8</b>              | <b>6.0</b>       | <b>833.8</b>              |

## 26. Derivative financial instruments continued

|  | Group 2022       |                           | Company 2022     |                           |
|--|------------------|---------------------------|------------------|---------------------------|
|  | Fair value<br>£m | Notional<br>amounts<br>£m | Fair value<br>£m | Notional<br>amounts<br>£m |
| <b>Cash flow hedges</b>                            |                  |                           |                  |                           |
| Cross-currency swaps                               | 130.6            | 1,819.4                   | 130.6            | 1,819.4                   |
| Interest rate swaps                                | 3.6              | 400.0                     | 3.6              | 400.0                     |
| <b>Total</b>                                       | <b>134.2</b>     | <b>2,219.4</b>            | <b>134.2</b>     | <b>2,219.4</b>            |
| Included in non-current liabilities                | -                | -                         | -                | -                         |
| Included in current liabilities                    | -                | -                         | -                | -                         |
| <b>Derivative financial instrument liabilities</b> | <b>-</b>         | <b>-</b>                  | <b>-</b>         | <b>-</b>                  |
| Included in non-current assets                     | 46.6             | 1,417.0                   | 46.6             | 1,417.0                   |
| Included in current assets                         | 87.6             | 802.4                     | 87.6             | 802.4                     |
| <b>Derivative financial instrument assets</b>      | <b>134.2</b>     | <b>2,219.4</b>            | <b>134.2</b>     | <b>2,219.4</b>            |

### Cross-currency swaps

On 14 March 2017, the Company issued fixed-rate Eurobonds under its Euro Medium Term Note Programme at a nominal value of €500m. The Company entered into cross-currency swap arrangements to hedge its currency rate risk on this Eurobond debt and the EUR coupon rate of 0.875% is fully swapped into the GBP rate of 2.061%.

On 3 July 2019, the Company issued fixed-rate Eurobonds under its Euro Medium Term Note Programme at a nominal value of €600m. The Company entered into cross-currency swap arrangements to hedge its currency rate risk on this Eurobond debt and the EUR coupon rate of 0.375% is fully swapped into the GBP rate of 1.770%.

On 20 January 2021, the Company issued fixed-rate Eurobonds under its Euro Medium Term Note Programme at a nominal value of €500m. The Company entered into cross-currency swap arrangements to hedge its currency rate risk on this Eurobond debt and the EUR coupon rate of 0.125% is fully swapped into the GBP rate of 1.083%.

On 17 January 2023, the Company issued fixed-rate Eurobonds under its Euro Medium Term Note Programme at a nominal value of €500m. The Company entered into cross-currency swap arrangements to hedge its currency rate risk on this Eurobond debt and the EUR coupon rate of 3.500% is fully swapped into the GBP rate of 4.737%.

### Interest rate swaps

At 30 September 2023, the fixed interest rate was 4.0500% (2022: the fixed interest rate was 0.7425%) and the main floating rates are SONIA. Gains and losses recognised in the fair value reserve in equity on interest rate swap contracts as of 30 September 2023 will be continuously released to the income statement in accordance with the maturity of the swap contracts.

The following table details the contractual maturity of the Group's interest rate and cross-currency swap liabilities. The undiscounted cash flows are settled on a net basis.

|   | 2023<br>Group<br>£m | 2022<br>Group<br>£m | 2023<br>Company<br>£m | 2022<br>Company<br>£m |
|---|---------------------|---------------------|-----------------------|-----------------------|
| No later than one year                              | (18.8)              | (18.7)              | (18.8)                | (18.7)                |
| Later than one year and no later than three years   | (29.4)              | (29.4)              | (29.4)                | (29.4)                |
| Later than three years and no later than five years | (19.5)              | (11.4)              | (19.5)                | (11.4)                |
| Later than five years                               | (16.5)              | (4.3)               | (16.5)                | (4.3)                 |
| <b>Total</b>  | <b>(84.2)</b>       | <b>(63.8)</b>       | <b>(84.2)</b>         | <b>(63.8)</b>         |

Further details of derivative financial instruments are provided in note 36.

No hedging ineffectiveness occurred during the year. Movements in the fair values of hedging instruments are shown in the statement of comprehensive income. Effective hedging movements in the income statement are fully reflected in finance costs (note 9) under the policies for finance costs, foreign currency translation and derivative financial instruments in note 2.



## Notes to the financial statements continued

### 27. Deferred tax

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

#### Group

|   | Accelerated tax<br>depreciation<br>£m | Short-term<br>timing<br>differences<br>£m | Derivatives<br>£m | Accelerated<br>depreciation<br>£m | Total<br>£m |
|---|---------------------------------------|---|-------------------|-----------------------------------|-------------|
| <b>Net at 1 October 2021</b>                  | 311.1                                 | (0.3)                                     | (0.2)             | (2.5)                             | 308.1       |
| Charge to income                              | 59.4                                  | -   | -                 | -                                 | 59.4        |
| Charge to income due to change in UK tax rate | 67.1                                  | -   | -                 | (0.6)                             | 66.5        |
| Charge to equity                              | -                                     | -   | 12.9              | -                                 | 12.9        |
| Charge to equity due to change in UK tax rate | -                                     | -   | 2.0               | -                                 | 2.0         |
| Adjustment in respect of prior years          | -                                     | -   | -                 | -                                 | -           |
| <b>Net at 1 October 2022</b>                  | 437.6                                 | (0.3)                                     | 14.7              | (3.1)                             | 448.9       |
| Charge to income                              | 90.2                                  | (1.5)                                     | -                 | 1.0                               | 89.7        |
| Charge to income due to change in UK tax rate | 42.9                                  | -   | -                 | 0.3                               | 43.2        |
| Charge to equity                              | -                                     | -   | (10.0)            | -                                 | (10.0)      |
| Charge to equity due to change in UK tax rate | -                                     | -   | (0.5)             | -                                 | (0.5)       |
| Adjustment in respect of prior years          | 4.1                                   | -   | -                 | -                                 | 4.1         |
| <b>Net at 30 September 2023</b>               | 574.8                                 | (1.8)                                     | 4.2               | (1.8)                             | 575.4       |

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) and the intention to do so. The presentation of the deferred tax on the balance sheet is as follows:

|                            | 2023<br>£m | 2022<br>£m |
|----------------------------|------------|------------|
| Deferred tax assets        | -          | -          |
| Deferred tax liabilities   | 575.4      | 448.9      |
| <b>Net at 30 September</b> | 575.4      | 448.9      |

A UK corporation rate of 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This has 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 £574.8m (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.

#### Company

|   | Accelerated tax<br>depreciation<br>£m | Short-term<br>timing<br>differences<br>£m | Derivatives<br>£m | Tax losses<br>£m | Total<br>£m |
|---|---------------------------------------|---|-------------------|------------------|-------------|
| <b>Liability at 1 October 2021</b>            | -                                     | -   | (0.2)             | -                | (0.2)       |
| Charge to equity                              | -                                     | -   | 12.9              | -                | 12.9        |
| Charge to equity due to change in UK tax rate | -                                     | -   | 2.0               | -                | 2.0         |
| <b>Asset at 1 October 2022</b>                | -                                     | -   | 14.7              | -                | 14.7        |
| Credit for CFC losses carried forward         | -                                     | -   | -                 | -                | -           |
| Credit to equity                              | -                                     | -   | (10.0)            | -                | (10.0)      |
| Credit to equity due to change in UK tax rate | -                                     | -   | (0.5)             | -                | (0.5)       |
| <b>Asset at 30 September 2023</b>             | -                                     | -   | 4.2               | -                | 4.2         |

## Notes to the financial statements continued

### 28. Ordinary share capital

The Company has one class of ordinary shares, which carry no rights to income.

|  | 2023     | 2022     |
|--|----------|----------|
| Authorised:  |          |          |
| 100,000 (2021: 100,000) Ordinary shares of £1 each | £100,000 | £100,000 |
| Issued and fully paid:                             |          |          |
| 50,000 (2021: 50,000) Ordinary shares of £1 each   | £50,000  | £50,000  |

In accordance with the Shareholders' Agreement, the ordinary shareholders will not procure a dividend and, in the event of a winding-up, all reserves surplus to the redeeming ordinary and preference share capital at par and outstanding dividends on the preference shares will be covenanted to Motability Foundation, the Charity.

The Company has 10,900,000 authorised 7% redeemable cumulative preference shares of £1 each, classified as a liability, of which 9,950,000 are in issue. These shares do not carry voting rights. Further details are provided in note 25.

### 29. Cash (used in)/generated from operations

Reconciliation of profit to net cash flow from operating activities:

|  | 2023<br>Group<br>£m | 2022<br>Group<br>£m | 2023<br>Company<br>£m | 2022<br>Company<br>£m |
|--|---------------------|---------------------|-----------------------|-----------------------|
| Profit before tax  | 748.0               | 1,142.6             | 44.4                  | 30.7                  |
| Adjustments for:   |                     |                     |                       |                       |
| Depreciation and amortisation charge on corporate assets                     | 46.9                | 33.4                | -                     | -                     |
| Depreciation charge on operating lease assets                                | 467.9               | 267.2               | -                     | -                     |
| Impairment charge for assets used in operating leases                        | -                   | -                   | -                     | -                     |
| Impairment charge for financial assets at amortised cost                     | (0.1)               | -                   | -                     | -                     |
| Finance costs/(income)   | 197.1               | 172.8               | (25.7)                | (24.1)                |
| Gains on disposal of operating lease assets                                  | (678.1)             | (723.4)             | -                     | -                     |
| Losses on operating lease assets written off through insurance               | 31.0                | 19.9                | -                     | -                     |
| Losses/(gains) on disposal of corporate assets                               | 11.6                | (0.2)               | -                     | -                     |
| (Decrease)/increase in provision for restoration works                       | (1.7)               | 0.4                 | -                     | -                     |
| Decrease in bad debt provisions  | 0.1                 | -                   | -                     | -                     |
| <b>Operating cash flows before movements in working capital</b>              | <b>822.7</b>        | <b>912.7</b>        | <b>18.7</b>           | <b>6.6</b>            |
| 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                | 3,092.3             | 2,482.4             | -                     | -                     |
| Proceeds from insurance reimbursements of operating lease assets written off | 54.5                | 42.3                | -                     | -                     |
| Charitable donations paid  | 250.0               | 200.1               | -                     | -                     |
| Increase in insurance receivables  | (41.9)              | (10.8)              | -                     | -                     |
| (Increase)/decrease in other receivables                                     | (347.1)             | (41.6)              | (80.9)                | 1.0                   |
| Increase in loans to and investment in subsidiaries                          | -                   | -                   | (1,189.5)             | (100.0)               |
| Increase in deferred rental income   | 156.4               | 18.5                | -                     | -                     |
| Decrease in provision for customer rebates                                   | (166.9)             | (9.8)               | -                     | -                     |
| Increase in provision for net insurance claims                               | 36.2                | 49.0                | -                     | -                     |
| Increase/(decrease) in insurance payables                                    | 21.0                | (18.9)              | -                     | -                     |
| Increase/(decrease) in payables  | 108.0               | 27.9                | (494.4)               | 284.8                 |
| <b>Cash (used in)/generated from operations</b>                              | <b>(1,253.2)</b>    | <b>775.4</b>        | <b>(1,746.1)</b>      | <b>192.4</b>          |

## Notes to the financial statements continued

### 30. Analysis of changes in net debt Group

|   | At<br>1 October<br>2022<br>£m | Cash<br>flows<br>£m | Foreign<br>exchange<br>£m | Fair value<br>movements<br>£m | Amortisation of<br>premiums and<br>discounts and<br>provision charge<br>£m | At<br>30 September<br>2023<br>£m |
|---|-------------------------------|---------------------|---------------------------|-------------------------------|--|----------------------------------|
| Cash and bank balances                                    | 769.3                         | (582.5)             | -                         | -                             | -  | 186.8                            |
| Bank overdrafts and cash in the<br>course of transmission | (60.3)                        | (46.2)              | -                         | -                             | -  | (106.5)                          |
| <b>Cash and cash equivalents</b>                          | <b>709.0</b>                  | <b>(628.7)</b>      | <b>-</b>                  | <b>-</b>                      | <b>-</b>   | <b>80.3</b>                      |
| Borrowings due within one year                            | -                             | (150.0)             | -                         | -                             | -  | (150.0)                          |
| Borrowings due after one year                             | (399.8)                       | -                   | -                         | -                             | 0.8  | (399.0)                          |
| Debt issued under the Euro Medium<br>Term Note Programme  | (5,437.1)                     | (1,029.3)           | 106.0                     | -                             | (4.9)  | (6,365.3)                        |
| Derivative financial instruments                          | 134.2                         | -                   | -                         | (156.4)                       | -  | (22.2)                           |
| Preference shares   | (10.0)                        | -                   | -                         | -                             | -  | (10.0)                           |
| Provision for restoration works                           | (7.3)                         | -                   | -                         | 1.7                           | -  | (5.6)                            |
| Right-of-use asset lease liabilities                      | (42.6)                        | 22.5                | -                         | 4.8                           | (0.2)  | (15.5)                           |
| <b>Financing activities</b>                               | <b>(5,762.6)</b>              | <b>(1,156.8)</b>    | <b>106.0</b>              | <b>(149.9)</b>                | <b>(4.3)</b>   | <b>(6,967.6)</b>                 |
| <b>Total net debt</b>                                     | <b>(5,053.6)</b>              | <b>(1,785.5)</b>    | <b>106.0</b>              | <b>(149.9)</b>                | <b>(4.3)</b>   | <b>(6,887.3)</b>                 |

|   | At<br>1 October<br>2021<br>£m | Cash<br>flows<br>£m | Foreign<br>exchange<br>£m | Fair value<br>movements<br>£m | Amortisation of<br>premiums and<br>discounts and<br>provision charge<br>£m | At<br>30 September<br>2022<br>£m |
|---|-------------------------------|---------------------|---------------------------|-------------------------------|--|----------------------------------|
| Cash and bank balances                                    | 484.8                         | 284.5               | -                         | -                             | -  | 769.3                            |
| Bank overdrafts and cash in the<br>course of transmission | (52.4)                        | (7.9)               | -                         | -                             | -  | (60.3)                           |
| <b>Cash and cash equivalents</b>                          | <b>432.4</b>                  | <b>276.6</b>        | <b>-</b>                  | <b>-</b>                      | <b>-</b>   | <b>709.0</b>                     |
| Borrowings due after one year                             | (399.5)                       | -                   | -                         | -                             | (0.3)  | (399.8)                          |
| Debt issued under the Euro Medium<br>Term Note Programme  | (5,305.8)                     | (87.7)              | (38.4)                    | -                             | (5.2)  | (5,437.1)                        |
| Derivative financial instruments                          | 27.5                          | -                   | -                         | 106.7                         | -  | 134.2                            |
| Preference shares   | (10.0)                        | -                   | -                         | -                             | -  | (10.0)                           |
| Provision for restoration works                           | (6.9)                         | -                   | -                         | (0.4)                         | -  | (7.3)                            |
| Right-of-use asset lease liabilities                      | (41.5)                        | 2.7                 | -                         | (3.2)                         | (0.6)  | (42.6)                           |
| <b>Financing activities</b>                               | <b>(5,736.2)</b>              | <b>(85.0)</b>       | <b>(38.4)</b>             | <b>103.1</b>                  | <b>(6.1)</b>   | <b>(5,762.6)</b>                 |
| <b>Total net debt</b>                                     | <b>(5,303.8)</b>              | <b>191.6</b>        | <b>(38.4)</b>             | <b>103.1</b>                  | <b>(6.1)</b>   | <b>(5,053.6)</b>                 |

|  | 2023<br>Group<br>£m | 2022<br>Group<br>£m |
|--|---------------------|---------------------|
| Cash and bank balances                                   | 186.8               | 769.3               |
| Derivative financial instruments                         | (22.2)              | 134.2               |
| Current financial liabilities                            | (296.0)             | (974.8)             |
| Non-current financial liabilities                        | (6,791.9)           | (5,010.8)           |
| <b>Total</b>   | <b>(6,923.3)</b>    | <b>(5,082.1)</b>    |
| Less interest accruals included in financial liabilities | 36.0                | 28.5                |
| <b>Total net debt</b>                                    | <b>(6,887.3)</b>    | <b>(5,053.6)</b>    |



### 31. Lease commitments as lessee

As at the balance sheet date the Group'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 25 (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<br>£m | 2022<br>£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).

#### Amounts recognised in the income statement

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

### 32. 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).

### 33. Related parties

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. The Group's corporate and finance structures are set out in the Strategic report on pages 3 to 56.

Related parties comprise Directors (and their close families and service companies), the Motability Foundation Charity ('Motability') and the shareholder banks. Transactions entered into with related parties are in the normal course of business.

The relationship of the Company to Motability Foundation, the Charity, is set out on pages 28 to 30.

#### Transactions

During the year the Group made a charitable donation of £250.0m to Motability Foundation, the Charity (2022: £200.0m to Motability Foundation, the Charity).

The funding of the Group and the Company through bank loans is provided by the shareholder banks on commercial terms (see note 9 for details of financing costs on bank loans; £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 services.

During the year the Company received a dividend payment of £nil (2022: £nil) from MO Reinsurance Limited and made preference share dividend payments of £0.7m to the shareholder banks (2022: £0.7m).

At 30 September 2023 £103.8m of cash and cash equivalents were held with shareholder banks (30 September 2022: £65.8m). During the year the Group received interest payments on these cash deposits totalling £6.6m (2022: £1.5m).

The Group's bond issuances, under the Euro Medium Note Term Programme (see note 25), are arranged by the shareholder banks. During the year the Group paid fees of £5.8m in relation to bond issuances (2022: £2.3m).

The Group enters into cross-currency and interest rate swap contracts (see note 26) with the shareholder banks to mitigate its exposure to interest rate risk and foreign exchange risk as part of its financial risk management policy (as described in note 36). During the year the Group made a net receipt of £3.9m (2022: net receipt of £0.4m) in respect of interest rate swaps, and a net payment of £20.5m (2022: net payment of £22.4m) in respect of cross-currency swaps.

#### Subsidiary, parent and ultimate controlling party

The Group is controlled by Motability Operations Group plc, the ultimate parent, which is registered in England and Wales. Details of principal subsidiary undertakings and their registered offices can be found in note 16.

#### Remuneration of key management personnel

The remuneration of the key management personnel who are the Directors of the Company and the Directors and Executive Committee members of the principal operating subsidiary (Motability Operations Limited) is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'.

|                              | 2023<br>£m | 2022<br>£m |
|------------------------------|------------|------------|
| Short-term employee benefits | 5.9        | 4.7        |
| Post-employment benefits     | 0.2        | 0.1        |
| Other long-term benefits     | 0.8        | 0.7        |
| <b>Total</b>                 | <b>6.9</b> | <b>5.5</b> |

### 34. Directors' remuneration

During the year there was one Executive Director (2022: one) accruing benefits under a money purchase pension scheme.

|  | 2023       | 2022       |
|--|------------|------------|
| <b>Highest-paid Director</b>                               |            |            |
| Salary   | £438,672   | £339,750   |
| Performance-related payments                               | £184,030   | £133,000   |
| Vesting of deferred bonuses                                | –          | £196,923   |
| Payments in lieu of pension*                               | £65,801    | £46,963    |
| Benefits   | £21,183    | £16,334    |
| Aggregate emoluments in respect of qualifying services     | £709,686   | £732,970   |
|  |            |            |
| Pension contributions under money purchase pension schemes | –          | £4,000     |
| <b>All Directors</b>                                       |            |            |
| Salary   | £1,372,704 | £1,271,091 |
| Performance-related payments                               | £322,823   | £302,740   |
| Vesting of deferred bonuses                                | £416,420   | £532,742   |
| Payments in lieu of pension*                               | £114,482   | £109,537   |
| Benefits   | £48,415    | £39,522    |
| Aggregate emoluments in respect of qualifying services     | £2,274,844 | £2,255,632 |
|  |            |            |
| Pension contributions under money purchase pension schemes | £5,000     | £4,000     |

\* 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.

### 35. 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.



## 36. Funding and financial risk management

### Capital risk management

The capital structure of the Group and the Company consists of debt, which includes the borrowings disclosed in note 25, net of cash and cash equivalents and equity capital. For capital risk management purposes the equity capital consists of equity share capital, preference share capital and restricted reserves. The hedging reserve relating to the fair value of swaps is excluded.

The Group's debt funding is provided through the Company via bank loans and debt issuance.

The objective of the Group's capital and reserves management policy is to ensure that the Group maintains adequate levels of equity capital and reserves to:

- maintain the sustainability and longevity of the business through having adequate reserves to withstand the impact of potential macro-economic, industry and Company-specific shock events;
- provide relative stability of pricing and affordability to customers; and
- provide confidence to lenders and credit rating agencies that allows the Group to raise sufficient funding at competitive rates.

As part of the capital and reserves management policy of the Group, any profits that arise in the Group are reinvested back into the Scheme for the benefit of disabled customers. The banks as owners of the Group cannot access reserves (the ordinary shares do not carry any entitlement to dividends).

The Risk Management Committee reviews the capital structure and particularly the level of restricted reserves on a regular basis. The Group operates an Economic Capital methodology to determine the level of capital required in the business. The Group aims to hold capital at a level that is considered at least adequate to ensure that it can withstand potential market or economic shock events.

The Group's debt financing (bank loans) is subject to a customary loan covenant whereby the adjusted Total Group Assets: Total Net Debt ratio is targeted to be no less than 1.25:1. At 30 September 2023 the ratio was 1.82:1, and the Group has complied with the terms of the covenant throughout the year. The covenant ratio is reported on a monthly basis and reviewed by the Directors to ensure there is no breach of the covenant and to take appropriate action if necessary.

From the perspective of the Company, capital risk management is integrated with the capital risk management of the Group and is not managed separately.

### Significant accounting policies

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

### Categories of financial instruments

|   | 2023<br>Group<br>carrying value<br>£m | 2022<br>Group<br>carrying value<br>£m | 2023<br>Company<br>carrying value<br>£m | 2022<br>Company<br>carrying value<br>£m |
|---|---------------------------------------|---------------------------------------|---|---|
| <b>Non-derivative financial assets measured at amortised cost</b>                                 |                                       |                                       |   |   |
| Financial assets at amortised cost  | 319.3                                 | 280.6                                 | –                                       | –                                       |
| Trade receivables   | 146.1                                 | 69.3                                  | 78.0                                    | –                                       |
| Loans to other Group companies  | –                                     | –                                     | 7,008.9                                 | 5,819.4                                 |
| Cash and bank balances  | 186.8                                 | 769.3                                 | 101.0                                   | 640.0                                   |
| <b>Total non-derivative financial assets</b>  | <b>652.2</b>                          | <b>1,119.2</b>                        | <b>7,187.9</b>                          | <b>6,459.4</b>                          |
| <b>Non-derivative financial liabilities measured at amortised cost</b>                            |                                       |                                       |   |   |
| Trade and other payables  | (289.3)                               | (181.8)                               | –                                       | (494.4)                                 |
| Financial liabilities   | (7,087.9)                             | (5,985.6)                             | (6,960.3)                               | (5,875.4)                               |
| <b>Total non-derivative financial liabilities</b>   | <b>(7,377.2)</b>                      | <b>(6,167.4)</b>                      | <b>(6,960.3)</b>                        | <b>(6,369.8)</b>                        |
| <b>Net non-derivative financial instruments at amortised cost</b>                                 | <b>(6,725.0)</b>                      | <b>(5,048.2)</b>                      | <b>227.6</b>                            | <b>89.6</b>                             |
| <b>Derivative financial instruments measured at fair value through other comprehensive income</b> |                                       |                                       |   |   |
| Interest rate swaps   | 4.3                                   | 3.6                                   | 4.3                                     | 3.6                                     |
| Cross-currency swaps  | (26.5)                                | 130.6                                 | (26.5)                                  | 130.6                                   |
| <b>Total derivative financial instruments</b>   | <b>(22.2)</b>                         | <b>134.2</b>                          | <b>(22.2)</b>                           | <b>134.2</b>                            |
| <b>Total financial instruments</b>  | <b>(6,747.2)</b>                      | <b>(4,914.0)</b>                      | <b>205.4</b>                            | <b>223.8</b>                            |

## Notes to the financial statements continued

### 36. Funding and financial risk management continued

#### Fair value of financial instruments

|   | 2023<br>Group<br>carrying value<br>£m | 2023<br>Group<br>fair value<br>£m | 2022<br>Group<br>carrying value<br>£m | 2022<br>Group<br>fair value<br>£m |
|---|---------------------------------------|-----------------------------------|---------------------------------------|-----------------------------------|
| Cash and bank balances (I)  | 186.8                                 | 186.8                             | 769.3                                 | 769.3                             |
| Trade receivables (II)  | 146.1                                 | 146.1                             | 69.3                                  | 69.3                              |
| Financial assets at amortised cost (III)                                | 319.3                                 | 308.0                             | 280.6                                 | 261.6                             |
| Trade and other payables (II)   | (289.3)                               | (289.3)                           | (181.8)                               | (181.8)                           |
| Bank overdrafts (IV)  | -                                     | -                                 | -                                     | -                                 |
| Cash in the course of transmission and accrued interest and coupon (II) | (142.5)                               | (142.5)                           | (88.8)                                | (88.8)                            |
| Bank loans – current (IV)   | (150.0)                               | (150.0)                           | (399.8)                               | (399.8)                           |
| Bank loans – non-current (IV)   | (399.0)                               | (399.0)                           | -                                     | -                                 |
| Debt issued under the Euro Medium Term Note Programme* (III)            | (6,365.3)                             | (5,439.6)                         | (5,437.1)                             | (4,475.4)                         |
| Redeemable preference share liabilities (III)                           | (10.0)                                | (11.4)                            | (10.0)                                | (10.8)                            |
| Provision for restoration works (II)                                    | (5.6)                                 | (5.6)                             | (7.3)                                 | (7.3)                             |
| <b>Net non-derivative financial instruments</b>                         | <b>(6,709.5)</b>                      | <b>(5,796.5)</b>                  | <b>(5,005.6)</b>                      | <b>(4,063.7)</b>                  |
| Interest rate swap – cash flow hedge                                    | 4.3                                   | 4.3                               | 3.6                                   | 3.6                               |
| Cross-currency swap – cash flow hedge                                   | (26.5)                                | (26.5)                            | 130.6                                 | 130.6                             |
| <b>Total financial instruments requiring fair value disclosure</b>      | <b>(6,731.7)</b>                      | <b>(5,818.7)</b>                  | <b>(4,871.4)</b>                      | <b>(3,929.5)</b>                  |
| Right-of-use asset lease liabilities (V)                                | (15.5)                                | n/a                               | (42.6)                                | n/a                               |
| <b>Total</b>  | <b>(6,747.2)</b>                      | <b>(5,818.7)</b>                  | <b>(4,914.0)</b>                      | <b>(3,929.5)</b>                  |

\* Amounts are shown net of unamortised discount, fee and transaction costs.

(I) Interest-bearing portion of the cash and cash equivalents consists of overnight deposits and money market funds.

(II) Non-interest bearing.

(III) Bearing interest at fixed rate.

(IV) Bearing interest at floating rate.

(V) Exempt from fair value disclosure under IFRS 7 paragraph 29(d).

|   | 2023<br>Company<br>carrying value<br>£m | 2023<br>Company<br>fair value<br>£m | 2022<br>Company<br>carrying value<br>£m | 2022<br>Company<br>fair value<br>£m |
|---|---|-------------------------------------|---|-------------------------------------|
| Cash and bank balances (I)  | 101.0                                   | 101.0                               | 640.0                                   | 640.0                               |
| Loans to other Group companies (IV)                                     | 7,008.9                                 | 7,008.9                             | 5,819.4                                 | 5,819.4                             |
| Financial assets at amortised cost (III)                                | -                                       | -                                   | -                                       | -                                   |
| Trade receivables (II)  | 78.0                                    | 78.0                                | -                                       | -                                   |
| Trade and other payables (II)   | -                                       | -                                   | (494.4)                                 | (494.4)                             |
| Cash in the course of transmission and accrued interest and coupon (II) | (36.0)                                  | (36.0)                              | (28.5)                                  | (28.5)                              |
| Bank loans – current (IV)   | (150.0)                                 | (150.0)                             | (399.8)                                 | (399.8)                             |
| Bank loans – non-current (IV)   | (399.0)                                 | (399.0)                             | -                                       | -                                   |
| Debt issued under the Euro Medium Term Note Programme* (III)            | (6,365.3)                               | (5,439.6)                           | (5,437.1)                               | (4,475.4)                           |
| Redeemable preference share liabilities (III)                           | (10.0)                                  | (11.4)                              | (10.0)                                  | (10.8)                              |
| <b>Net non-derivative financial instruments</b>                         | <b>227.6</b>                            | <b>1,151.9</b>                      | <b>89.6</b>                             | <b>1,050.5</b>                      |
| Interest rate swap – cash flow hedge                                    | 4.3                                     | 4.3                                 | 3.6                                     | 3.6                                 |
| Cross-currency swap – cash flow hedge                                   | (26.5)                                  | (26.5)                              | 130.6                                   | 130.6                               |
| <b>Total</b>  | <b>205.4</b>                            | <b>1,129.7</b>                      | <b>223.8</b>                            | <b>1,184.7</b>                      |

\* Amounts are shown net of unamortised discount, fee and transaction costs.

(I) Interest-bearing portion of the cash and cash equivalents consists of overnight deposits and money market funds.

(II) Non-interest bearing.

(III) Bearing interest at fixed rate.

(IV) Bearing interest at floating rate.

## 36. Funding and financial risk management continued

### Fair value of financial instruments continued

The fair value of financial instruments traded in active markets (debt issued under the EMTN Programme) is based on quoted market prices at the balance sheet date. The fair value of financial instruments that are not traded in active markets is determined by using valuation techniques. The following methods and assumptions were used to estimate the fair values of the financial instruments for disclosure purposes:

- the carrying value of cash and cash equivalents approximates to the carrying amount due to its short-term nature;
- the carrying values less impairment provision of trade and other receivables and payables are assumed to approximate to their fair values due to the short-term nature of the trade receivables and payables;
- the fair value of preference shares for disclosure purposes is estimated by discounting the cash flows using market data at the balance sheet date;
- the fair value of debt issued under the Euro Medium Term Note Programme for disclosure purposes is based on market data at the balance sheet date; and
- the fair value of swaps is determined by discounting future cash flows using current market data at the balance sheet date.

IFRS 13 requires that the classification of financial instruments at fair value be determined by reference to the source of inputs, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2)
- inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs) (Level 3).

### Group

|   | 2023             |               |               | Total<br>£m      |
|---|------------------|---------------|---------------|------------------|
|   | Level 1<br>£m    | Level 2<br>£m | Level 3<br>£m |                  |
| <b>Non-derivative financial assets</b>      |                  |               |               |                  |
| Financial assets at amortised cost          | 308.0            | –             | –             | 308.0            |
|   | 308.0            | –             | –             | 308.0            |
| <b>Non-derivative financial liabilities</b> |                  |               |               |                  |
| Financial liabilities                       | (5,439.6)        | (11.4)        | –             | (5,451.0)        |
|   | (5,439.6)        | (11.4)        | –             | (5,451.0)        |
| <b>Derivative financial instruments</b>     |                  |               |               |                  |
| Interest rate swaps                         | –                | 4.3           | –             | 4.3              |
| Cross-currency swaps                        | –                | (26.5)        | –             | (26.5)           |
|   | –                | (22.2)        | –             | (22.2)           |
| <b>Total</b>                                | <b>(5,131.6)</b> | <b>(33.6)</b> | <b>–</b>      | <b>(5,165.2)</b> |

### Group

|   | 2022             |               |               | Total<br>£m      |
|---|------------------|---------------|---------------|------------------|
|   | Level 1<br>£m    | Level 2<br>£m | Level 3<br>£m |                  |
| <b>Non-derivative financial assets</b>      |                  |               |               |                  |
| Financial assets at amortised cost          | 261.6            | –             | –             | 261.6            |
|   | 261.6            | –             | –             | 261.6            |
| <b>Non-derivative financial liabilities</b> |                  |               |               |                  |
| Financial liabilities                       | (4,475.4)        | (10.8)        | –             | (4,486.2)        |
|   | (4,475.4)        | (10.8)        | –             | (4,486.2)        |
| <b>Derivative financial instruments</b>     |                  |               |               |                  |
| Interest rate swaps                         | –                | 3.6           | –             | 3.6              |
| Cross-currency swaps                        | –                | 130.6         | –             | 130.6            |
|   | –                | 134.2         | –             | 134.2            |
| <b>Total</b>                                | <b>(4,213.8)</b> | <b>123.4</b>  | <b>–</b>      | <b>(4,090.4)</b> |



### 36. Funding and financial risk management continued

#### Fair value of financial instruments continued

##### Company

|   | 2023             |               |               |                  |
|---|------------------|---------------|---------------|------------------|
|   | Level 1<br>£m    | Level 2<br>£m | Level 3<br>£m | Total<br>£m      |
| <b>Non-derivative financial assets</b>      |                  |               |               |                  |
| Financial assets at amortised cost          | -                | -             | -             | -                |
|   | -                | -             | -             | -                |
| <b>Non-derivative financial liabilities</b> |                  |               |               |                  |
| Financial liabilities                       | (5,439.6)        | (11.4)        | -             | (5,451.0)        |
|   | (5,439.6)        | (11.4)        | -             | (5,451.0)        |
| <b>Derivative financial instruments</b>     |                  |               |               |                  |
| Interest rate swaps                         | -                | 4.3           | -             | 4.3              |
| Cross-currency swaps                        | -                | (26.5)        | -             | (26.5)           |
|   | -                | (22.2)        | -             | (22.2)           |
| <b>Total</b>                                | <b>(5,439.6)</b> | <b>(33.6)</b> | <b>-</b>      | <b>(5,473.2)</b> |

##### Company

|   | 2022             |               |               |                  |
|---|------------------|---------------|---------------|------------------|
|   | Level 1<br>£m    | Level 2<br>£m | Level 3<br>£m | Total<br>£m      |
| <b>Non-derivative financial assets</b>      |                  |               |               |                  |
| Financial assets at amortised cost          | -                | -             | -             | -                |
|   | -                | -             | -             | -                |
| <b>Non-derivative financial liabilities</b> |                  |               |               |                  |
| Financial liabilities                       | (4,475.4)        | (10.8)        | -             | (4,486.2)        |
|   | (4,475.4)        | (10.8)        | -             | (4,486.2)        |
| <b>Derivative financial instruments</b>     |                  |               |               |                  |
| Interest rate swaps                         | -                | 3.6           | -             | 3.6              |
| Cross-currency swaps                        | -                | 130.6         | -             | 130.6            |
|   | -                | 134.2         | -             | 134.2            |
| <b>Total</b>                                | <b>(4,475.4)</b> | <b>123.4</b>  | <b>-</b>      | <b>(4,352.0)</b> |

#### Nature and characteristics of financial instruments in the fair value tables

The fair values of cash and bank balances, trade receivables and payables, bank loans and overdrafts, and cash in the course of transmission are considered to be not materially different from their book values. Market inputs to these values are considered, but because all of the assets mature within three months of the year end, the payables, overdrafts and cash in the course of transmission are also short term in nature, and the interest rates charged on the bank loans are reset to market rates on a monthly basis, minimal difference arises. The nature and characteristics of the Level 2 fair valued items, i.e. issued debt, preference shares and swaps, are as described in note 2 and note 25. As these valuation exercises are not wholly market based they are considered to be Level 2 measurements. Financial assets held at amortised cost are investments held by MORL as described in note 2. These have quoted prices and so are classified as Level 1.

## 36. Funding and financial risk management continued

### Financial risk management objectives

The Group's funding and financial risk is overseen and managed by the Treasury Operations Group and the Risk Management Committee. The Group's treasury function, operating under the control of the Risk Management Committee, monitors and manages the financial risks relating to the funding and treasury operations, as well as co-ordinating access to the financial markets. The treasury policy of the Group and the principles set out by the policy are endorsed by the Board and applied through delegated authority by the Chief Executive Officer operating through the Executive Committee and the Risk Management Committee. The treasury policy and treasury control framework are overseen by the Audit Committee.

The risks of the Group arising from its funding activities include interest rate risk, foreign exchange risk, credit risk and liquidity risk. The Group's activities expose it to the financial risks of changes in interest rates. The Group enters into interest rate swaps and issues fixed-rate bonds to mitigate the risk of movements in interest rates. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Group's debt funding is provided through the Company via bank loans and capital markets issuance. As with the capital risk management, the overall funding and financial risk management of the Company is integrated with the funding and financial risk management of the Group and is not managed separately. As with the Group, the Company's operations expose it to a variety of financial risks that include interest rate risk, credit risk and liquidity risk. The Company's exposure to these risks is disclosed separately in the related sections below.

### Interest rate risk management

The Group's revenues arise primarily from operating lease rentals and proceeds from disposal of operating lease assets – typically three years for an operating lease contract. Apart from fixed rate bonds issued under the EMTN Programme, the Group and the Company's borrowings are subject to floating interest rates. Borrowings arranged at floating rates of interest expose the Group and Company to cash flow interest rate risk, whereas those arranged at fixed rates of interest expose the Group and Company to fair value interest rate risk.

The Group and the Company seek to minimise cash flow interest rate risk by entering into fixed interest rate swaps to hedge floating rate borrowings. Interest rate swaps are employed to fix the interest rate profile of the borrowings and align these borrowings to the repayment profile of the assets. To the extent that borrowings at the balance sheet date will be used to fund new assets purchased during the year, the rentals will be set to reflect interest rates at the time the asset will be purchased. The Group's policy is that at least 90% of the total borrowings should be fixed in nature except where specific short-term dispensations are permitted (and commensurate with the overall funding policy). The Group only hedges the variable rate term borrowings; variable rate working capital facilities are not hedged.

Floating rate debt substantially swapped into fixed interest rates has a carrying value as at 30 September 2023 of £399.0m (£150.0m drawn on MO Group's revolving credit facility, unhedged) (2022: £399.8m with £nil drawn on MO Group's RCF, unhedged).

Notes issued subject to fixed interest rates have a carrying value as at 30 September 2023 of £6,365.3m (2022: £5,437.1m).

The Group and the Company have two interest rate swaps of £200m and £200m maturing 14 February 2024 and 2025 (2022: £400m maturing on 28 January 2022). Under the swaps, the Group and the Company pay fixed rates of 4.190% and 3.901%, respectively, (2022: 0.740%).

### Foreign exchange risk

The Group is exposed to foreign exchange risk due to the issue of Euro-denominated fixed-rate bonds. This risk has been managed by the use of cross-currency swaps to fix the exchange rate on all coupon and principal cash flows from the outset of the bonds. In the event of any change in foreign exchange rates, there would be no material effect on the reserves of the Group and the Company.

### Interest rate sensitivity analysis

The sensitivity analysis stated below is based on exposure to interest rates for both derivative and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year.

In the event of any change in interest rates, there would be no material effect on the reserves of the Group and the Company. Although an increase in interest rates will lead to changes in interest payable on borrowings, this will be offset by a corresponding effect in either interest rate swaps or rental increases on new assets purchased during the year.

If average interest rates had been 1% higher and all other variables were held constant, this would have resulted, over a period of one year, in a pre-tax profit decrease of approximately £1.5m as at 30 September 2023 (2022: £nil). 1% is used to measure the sensitivity of average interest rates as it is an easily scalable base unit for readers to evaluate the impact on the Group of various changes in interest rates.

## 36. Funding and financial risk management continued

### Interest rate swap contracts

Under interest rate swap contracts, the Group and the Company agree to exchange the difference between fixed and floating interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group and the Company to mitigate the risk of changing interest rates on future cash flows on the variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using a GBP market yield curve; the results are disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year.

All interest rate swap contracts are designated as cash flow hedges in order to reduce the Group and the Company's cash flow exposure resulting from variable interest rates on borrowings. Interest rate swaps and floating rate borrowings re-fix and settle on the same day each month thereby minimising interest rate exposure further. Interest rate swaps settle net on a monthly basis.

The following table details the notional principal amounts and average interest rate of the swap contracts outstanding at the reporting date: all swap balances are shown in 'derivative financial instruments' on the face of the balance sheet.

|   | 2023<br>Average<br>contract fixed<br>interest rate<br>% | 2022<br>Average<br>contract fixed<br>interest rate<br>% | 2023<br>Nominal<br>principal<br>amount<br>£m | 2022<br>Nominal<br>principal<br>amount<br>£m | 2023<br>Fair value<br>£m | 2022<br>Fair value<br>£m |
|---|---|---|--|--|--------------------------|--------------------------|
| No later than one year                            | 4.2   | 0.7   | 200.0  | 400.0  | 0.8                      | 3.6                      |
| Later than one year and no later than two years   | 3.9   | -   | 200.0  | -  | 3.5                      | -                        |
| Later than two years and no later than five years | -   | -   | -  | -  | -                        | -                        |
| Later than five years                             | -   | -   | -  | -  | -                        | -                        |
| <b>Total</b>                                      |   |   | <b>400.0</b>                                 | <b>400.0</b>                                 | <b>4.3</b>               | <b>3.6</b>               |

### Cross-currency swap contracts

Under the cross-currency swap contracts, the Group and the Company agree to exchange Euro and Sterling amounts of the principals and fixed interest amounts calculated on the principals. These contracts enable the Group and the Company to eliminate the risk of changing exchange rates on future cash flows on the foreign currency debt issued. The fair value of the cross-currency swaps at the reporting date is determined by discounting the future cash flows using foreign currency spot rates; the results are disclosed below.

The cross-currency swap contracts are designated as cash flow hedges and reduce the Group and the Company's cash flow exposure resulting from variable exchange rates on borrowings. The cross-currency swaps eliminate all exchange rate risk by settling on the same day as foreign currency liabilities.

The following table details the notional principal amounts and average interest rate of the swap contracts outstanding at the reporting date: all swap balances are shown in 'derivative financial instruments' on the face of the balance sheet.

|   | 2023<br>Contract fixed<br>GBP interest<br>rate<br>% | 2022<br>Contract fixed<br>GBP interest<br>rate<br>% | 2023<br>Nominal<br>principal<br>amount<br>£m | 2022<br>Nominal<br>principal<br>amount<br>£m | 2023<br>Fair value<br>£m | 2022<br>Fair value<br>£m |
|---|---|---|--|--|--------------------------|--------------------------|
| No later than one year                            | -   | 3.0   | -  | 402.4  | -                        | 84.0                     |
| Later than one year and no later than two years   | 2.1   | -   | 433.8  | -  | 1.7                      | -                        |
| Later than two years and no later than five years | 1.5   | 1.9   | 983.2  | 972.0  | (18.4)                   | 30.9                     |
| Later than five years                             | 4.7   | 1.1   | 441.9  | 445.0  | (9.8)                    | 15.7                     |
| <b>Total</b>                                      |   |   | <b>1,858.9</b>                               | <b>1,819.4</b>                               | <b>(26.5)</b>            | <b>130.6</b>             |



## 36. Funding and financial risk management continued

### Hedge effectiveness: the economic relationship

The Group's foreign exchange hedges are such that the currency cash flows received from the hedging instrument and those payable on the Eurobond offset perfectly – the critical terms of the hedged item and the hedging instrument match. Similarly, on the interest rate swaps the floating rate cash flows received from the hedging instrument and those payable on the hedged portion of the floating rate debt will offset perfectly. On foreign exchange risk, the known derivative cash flows and the cash flows from hedged items are set up at the outset of the hedge relationship giving rise to an economic relationship. For interest rate hedges, future amounts referencing the same benchmark rate will also offset perfectly.

The credit ratings of all swap counterparties are assessed at the outset and monitored throughout the trade. In terms of the hedge ratios all cash flows are expected to fully offset and be 100% effective for the duration of the hedge. Effectiveness is monitored using 'critical terms' matching criteria – both the hedging instrument and hedged items have the same start and maturity date for the foreign exchange hedge; all flows occur on the same date over the life of the instruments and are reviewed periodically. For the interest rate hedges, amounts, rates and re-fix dates are perfectly aligned.

### Hedge effectiveness: sources of ineffectiveness

The Group's hedges are assessed using the retrospective dollar offset method (on a cumulative basis). The swap valuations may be subject to CVA/DVA adjustments (credit or debit value adjustments) reflecting the exposure to counterparty credit risk over the life of the hedge. Potential ineffectiveness from a CVA/DVA adjustment is derived using a hypothetical derivative and the transacted swap. Any deterioration of a counterparty's credit rating may result in potential ineffectiveness and management will consider the materiality of such movements on the reported fair values in the balance sheet. To mitigate exposure to financial loss in the event of a default by a swap counterparty the Group limits swap counterparties to approved high-quality investment grade banks. Hedging counterparties are required to maintain an investment grade credit rating from at least one of Moody's and Standard and Poor's.

### Credit risk management

Credit risk is managed using an established process encompassing credit limits, credit approvals, control of exposures and the monitoring and reporting of exposures. Credit risk may arise from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as from credit exposures to customers.

The Group's principal source of income is the Department for Work and Pensions, through the assigned allowances received by customers of the Group, and therefore the credit risk is considered to be very low. A small residual credit risk arises from miscellaneous customer billings and monies due from dealers, auction houses and vehicle manufacturers. Group management regularly carries out credit assessments of the limits set for auction houses, manufacturers and dealers.

For banks and financial institutions, only independently rated institutions with a minimum 'A' rating are accepted. All new proposed counterparties are subject to internal credit approval and Asset & Liability Management Committee ratification prior to entering into any transaction. Credit limits for non-derivative financial assets and credit reporting thresholds for derivative financial assets are set by the treasury function and are subject to approval by the Asset & Liability Management Committee.

The Group's credit risk policy includes limits on large exposures to mitigate any concentration risk in respect of its investments. Credit risk on these balances, and the interest accrued thereon, is considered to be minimal.

For the year under review the following figures represent the Group's total counterparty credit limit and the balance as at 30 September 2023 and 2022, and the highest limit and utilisation during the year attributable to banks/financial institutions.

|  | 2023        |                   | 2022        |                   |
|--|-------------|-------------------|-------------|-------------------|
|  | Limit<br>£m | Utilisation<br>£m | Limit<br>£m | Utilisation<br>£m |
| Counterparty credit limit as at 30 September | 2,330.0     | 175.7             | 2,125.0     | 747.6             |

|   | 2023        |                   | 2022        |                   |
|---|-------------|-------------------|-------------|-------------------|
|   | Limit<br>£m | Utilisation<br>£m | Limit<br>£m | Utilisation<br>£m |
| Maximum counterparty credit limit for calendar year | 2,440.0     | 1,224.1           | 2,225.0     | 1,371.2           |

No counterparty credit limits were exceeded during the reporting period 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 Group's maximum exposure to credit risk.

## 36. Funding and financial risk management continued

### Concentration of credit risk

#### Financial assets at amortised cost

The Group monitors concentration of credit risk arising from financial investments by sector. An analysis of concentrations from credit risk from financial investments is shown below (gross of ECL provisions).

|                | 2023<br>£m   | 2022<br>£m   |
|----------------|--------------|--------------|
| Financial      | 111.8        | 92.7         |
| Government     | 115.1        | 93.8         |
| Transportation | 2.5          | 2.4          |
| Automotive     | 10.5         | 18.2         |
| Consumer       | 32.0         | 27.3         |
| Oil and gas    | 15.8         | 12.8         |
| Base materials | 18.2         | 17.8         |
| Technology     | 7.2          | 8.4          |
| Utilities      | –            | 5.3          |
| Communications | 6.2          | 1.9          |
| <b>Total</b>   | <b>319.3</b> | <b>280.6</b> |

#### Reinsurers' share of insurance provisions

The Group has a panel of reinsurers which limits the Group's exposure to any one loss and in the aggregate. The maximum concentration of credit risk on a worst-case basis to any one reinsurer would be £19,868,500.

#### Trade and other receivables, insurance receivables and cash and bank balances

Cash and bank balances are held with highly rated UK banks; trade and insurance receivables are not concentrated with any particular customers; other receivables are predominantly due from HMRC (UK Government).

#### Impact of Covid-19

In terms of credit risk, as described above for our key markets (customer rentals via government agencies and used vehicle sales at the end of leases) payment terms are very short and collection by direct debit or electronic billing limits any exposure. Bank counterparty credit ratings have held up and are subject to regular review as noted above.

### Liquidity risk management

The Group and the Company are exposed to changes in market conditions which in turn, and over time, could affect the provision of debt available to the Group.

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The treasury policy has an appropriate liquidity risk management framework for the management of the Group and the Company's short, medium and long-term funding.

The Group policy for managing liquidity risk is to maintain undrawn headroom on its committed banking facilities of at least 20% of borrowings plus one year's projected funding growth. The Group has a five-year bank term loan with four years until maturity and a five-year revolving credit facility with four years until maturity. The Group has further increased the average maturity profile of the debt by issuing fixed-rate bonds. The bonds, with average weighted maturities of ten years, provide increased sustainability and diversity to the Group's funding profile.

The Group continuously monitors forecast and actual cash flows. Included in note 24 is a description of additional undrawn facilities that the Group has at its disposal.

The following tables detail the contractual maturity of the Group and the Company's non-derivative financial liabilities. The tables have been drawn up based on the undiscounted amounts of the financial liabilities based on the earliest dates on which the Group and the Company can be required to discharge those liabilities. The tables include liabilities for both principal and interest.

## Notes to the financial statements continued

### 36. Funding and financial risk management continued

#### Liquidity risk management continued

##### Group

|   | 2023<br>Weighted average<br>interest rate<br>% | 2023<br>Under 1 year<br>£m | 2023<br>Between 1-3<br>years<br>£m | 2023<br>Between 3-5<br>years<br>£m | 2023<br>Over 5 years<br>£m | 2023<br>Total<br>£m |
|---|--|----------------------------|------------------------------------|------------------------------------|----------------------------|---------------------|
| Financial liabilities – bank loans – variable interest rate   | 5.8  | (175.4)                    | (47.1)                             | (444.0)                            | –                          | (666.5)             |
| Financial liabilities – debt issued under the Euro Medium Term Note Programme – fixed interest rate | 3.2  | (204.9)                    | (1,662.5)                          | (1,075.1)                          | (5,892.3)                  | (8,834.8)           |
| Cash in the course of transmission  | 0.0  | (106.5)                    | –                                  | –                                  | –                          | (106.5)             |
| Financial liabilities – bank overdrafts and short-term borrowings                                   | 5.8  | (0.4)                      | –                                  | –                                  | –                          | (0.4)               |
| Financial liabilities – redeemable preference shares – fixed interest rate*                         | 7.0  | (0.7)                      | (1.4)                              | (1.4)                              | (11.3)                     | (14.8)              |
| Financial liabilities – provision for restoration works   | 0.0  | –                          | –                                  | (2.6)                              | (3.0)                      | (5.6)               |
| Trade and other payables – non-interest bearing   | 0.0  | (289.3)                    | –                                  | –                                  | –                          | (289.3)             |
| <b>Total</b>  |  | <b>(777.2)</b>             | <b>(1,711.0)</b>                   | <b>(1,523.1)</b>                   | <b>(5,906.6)</b>           | <b>(9,917.9)</b>    |

\* The preference shares are classified as a financial liability in accordance with the contractual obligation to deliver cash (both dividends and repayment of principal) to the shareholders on winding up, as stated in the Memorandum and Articles of Association of the Company.

The contractual maturity analysis for the right-of-use lease liabilities is disclosed in note 31.

##### Group

|   | 2022<br>Weighted average<br>interest rate<br>% | 2022<br>Under 1 year<br>£m | 2022<br>Between 1-3<br>years<br>£m | 2022<br>Between 3-5<br>years<br>£m | 2022<br>Over 5 years<br>£m | 2022<br>Total<br>£m |
|---|--|----------------------------|------------------------------------|------------------------------------|----------------------------|---------------------|
| Financial liabilities – bank loans – variable interest rate   | 2.4  | (409.7)                    | –                                  | –                                  | –                          | (409.7)             |
| Financial liabilities – debt issued under the Euro Medium Term Note Programme – fixed interest rate | 2.6  | (543.6)                    | (688.0)                            | (1,347.2)                          | (4,112.9)                  | (6,691.7)           |
| Cash in the course of transmission  | 0.0  | (60.3)                     | –                                  | –                                  | –                          | (60.3)              |
| Financial liabilities – bank overdrafts and short-term borrowings                                   | 0.0  | –                          | –                                  | –                                  | –                          | –                   |
| Financial liabilities – redeemable preference shares – fixed interest rate*                         | 7.0  | (0.7)                      | (1.4)                              | (1.4)                              | (11.3)                     | (14.8)              |
| Financial liabilities – provision for restoration works   | 0.0  | –                          | –                                  | –                                  | (7.3)                      | (7.3)               |
| Trade and other payables – non-interest bearing   | 0.0  | (181.8)                    | –                                  | –                                  | –                          | (181.8)             |
| <b>Total</b>  |  | <b>(1,196.1)</b>           | <b>(689.4)</b>                     | <b>(1,348.6)</b>                   | <b>(4,131.5)</b>           | <b>(7,365.6)</b>    |

\* The preference shares are classified as a financial liability in accordance with the contractual obligation to deliver cash (both dividends and repayment of principal) to the shareholders on winding up, as stated in the Memorandum and Articles of Association of the Company.



## Notes to the financial statements continued

### 36. Funding and financial risk management continued

#### Liquidity risk management continued

##### Company

|   | 2023<br>Weighted average<br>interest rate<br>% | 2023<br>Under 1 year<br>£m | 2023<br>Between 1-3<br>years<br>£m | 2023<br>Between 3-5<br>years<br>£m | 2023<br>Over 5 years<br>£m | 2023<br>Total<br>£m |
|---|--|----------------------------|------------------------------------|------------------------------------|----------------------------|---------------------|
| Financial liabilities – bank loans – variable interest rate   | 5.8  | (175.4)                    | (47.1)                             | (444.0)                            | –                          | (666.5)             |
| Financial liabilities – debt issued under the Euro Medium Term Note Programme – fixed interest rate | 3.2  | (204.9)                    | (1,662.5)                          | (1,075.1)                          | (5,892.3)                  | (8,834.8)           |
| Financial liabilities – bank overdrafts and short-term borrowings                                   | 5.8  | (0.4)                      | –                                  | –                                  | –                          | (0.4)               |
| Financial liabilities – redeemable preference shares – fixed interest rate*                         | 7.0  | (0.7)                      | (1.4)                              | (1.4)                              | (11.3)                     | (14.8)              |
| Trade and other payables – non-interest bearing   | 0.0  | –                          | –                                  | –                                  | –                          | –                   |
| <b>Total</b>  |  | <b>(381.4)</b>             | <b>(1,711.0)</b>                   | <b>(1,520.5)</b>                   | <b>(5,903.6)</b>           | <b>(9,516.5)</b>    |

\* The preference shares of the Company are classified as a financial liability in accordance with the contractual obligation to deliver cash (both dividends and repayment of principal) to the shareholders on winding up as stated in the Memorandum and Articles of Association of the Company.

##### Company

|   | 2022<br>Weighted average<br>interest rate<br>% | 2022<br>Under 1 year<br>£m | 2022<br>Between 1-3<br>years<br>£m | 2022<br>Between 3-5<br>years<br>£m | 2022<br>Over 5 years<br>£m | 2022<br>Total<br>£m |
|---|--|----------------------------|------------------------------------|------------------------------------|----------------------------|---------------------|
| Financial liabilities – bank loans – variable interest rate   | 2.4  | (409.7)                    | –                                  | –                                  | –                          | (409.7)             |
| Financial liabilities – debt issued under the Euro Medium Term Note Programme – fixed interest rate | 2.6  | (543.6)                    | (688.0)                            | (1,347.2)                          | (4,112.9)                  | (6,691.7)           |
| Financial liabilities – redeemable preference shares – fixed interest rate*                         | 7.0  | (0.7)                      | (1.4)                              | (1.4)                              | (11.3)                     | (14.8)              |
| Trade and other payables – non-interest bearing   | 0.0  | (494.4)                    | –                                  | –                                  | –                          | (494.4)             |
| <b>Total</b>  |  | <b>(1,448.4)</b>           | <b>(689.4)</b>                     | <b>(1,348.6)</b>                   | <b>(4,124.2)</b>           | <b>(7,610.6)</b>    |

\* The preference shares of the Company are classified as a financial liability in accordance with the contractual obligation to deliver cash (both dividends and repayment of principal) to the shareholders on winding up as stated in the Memorandum and Articles of Association of the Company.

## 36. Funding and financial risk management continued

### Liquidity risk management continued

The following tables detail the contractual maturity of the Group and the Company's interest rate and cross-currency swap liabilities. The cash flows are settled on a net basis.

The tables have been drawn up based on the undiscounted amounts of the financial liabilities based on the earliest dates on which the Group and the Company can be required to discharge those liabilities.

#### Group

|                      | 2023<br>Weighted average<br>interest rate<br>% | 2023<br>Under 1 year<br>£m | 2023<br>Between 1-3<br>years<br>£m | 2023<br>Between 3-5<br>years<br>£m | 2023<br>Over 5 years<br>£m | 2023<br>Total<br>£m |
|----------------------|--|----------------------------|------------------------------------|------------------------------------|----------------------------|---------------------|
| Interest rate swaps  | 4.0  | 3.8                        | 0.9                                | –                                  | –                          | 4.7                 |
| Cross-currency swaps | 2.4  | (22.6)                     | (30.4)                             | (19.5)                             | (16.4)                     | (88.9)              |
| Total                |  | (18.8)                     | (29.5)                             | (19.5)                             | (16.4)                     | (84.2)              |

#### Group

|                      | 2022<br>Weighted average<br>interest rate<br>% | 2022<br>Under 1 year<br>£m | 2022<br>Between 1-3<br>years<br>£m | 2022<br>Between 3-5<br>years<br>£m | 2022<br>Over 5 years<br>£m | 2022<br>Total<br>£m |
|----------------------|--|----------------------------|------------------------------------|------------------------------------|----------------------------|---------------------|
| Interest rate swaps  | 0.7  | 3.6                        | –                                  | –                                  | –                          | 3.6                 |
| Cross-currency swaps | 1.9  | (22.4)                     | (29.4)                             | (11.4)                             | (4.2)                      | (67.4)              |
| Total                |  | (18.8)                     | (29.4)                             | (11.4)                             | (4.2)                      | (63.8)              |

#### Company

|                      | 2023<br>Weighted average<br>interest rate<br>% | 2023<br>Under 1 year<br>£m | 2023<br>Between 1-3<br>years<br>£m | 2023<br>Between 3-5<br>years<br>£m | 2023<br>Over 5 years<br>£m | 2023<br>Total<br>£m |
|----------------------|--|----------------------------|------------------------------------|------------------------------------|----------------------------|---------------------|
| Interest rate swaps  | 4.0  | 3.8                        | 0.9                                | –                                  | –                          | 4.7                 |
| Cross-currency swaps | 2.4  | (22.6)                     | (30.4)                             | (19.5)                             | (16.4)                     | (88.9)              |
| Total                |  | (18.8)                     | (29.5)                             | (19.5)                             | (16.4)                     | (84.2)              |

#### Company

|                      | 2022<br>Weighted average<br>interest rate<br>% | 2022<br>Under 1 year<br>£m | 2022<br>Between 1-3<br>years<br>£m | 2022<br>Between 3-5<br>years<br>£m | 2022<br>Over 5 years<br>£m | 2022<br>Total<br>£m |
|----------------------|--|----------------------------|------------------------------------|------------------------------------|----------------------------|---------------------|
| Interest rate swaps  | 0.7  | 3.6                        | –                                  | –                                  | –                          | 3.6                 |
| Cross-currency swaps | 1.9  | (22.4)                     | (29.4)                             | (11.4)                             | (4.2)                      | (67.4)              |
| Total                |  | (18.8)                     | (29.4)                             | (11.4)                             | (4.2)                      | (63.8)              |



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