


Motability Operations group plc

Annual Report and Accounts 2025

Inside the report

The Scheme enables independence for disabled people

Motability Operations runs the Motability Scheme, which is overseen by the Motability Foundation. Disabled people on the Scheme choose to exchange their mobility allowance for a vehicle lease, and any profit is reinvested back into the Scheme or donated to the Foundation.

The Motability Scheme enables independence for disabled people. Our simple model gives disabled people a lifeline, connecting them to life-changing freedom.

We play an essential role in supporting disabled people with accessing work, healthcare, education and training, keeping them connected and improving their chances of getting a job and staying in the workforce.

On average, customers are able to work an additional two days per week. The Scheme also has a positive economic impact, supporting around 34,000 jobs across the UK.

The Scheme provides better value for all. No additional taxpayer contribution is required to fund the Scheme, just the allowances of those who choose to use the Scheme.

We negotiate with manufacturers and partners to provide users of the Scheme with affordability and choice. On average, the Scheme is cheaper than alternative options, and includes insurance, breakdown, tyres and servicing.

See page 10 to find out how the Motability Scheme works

See page 12 to read the statement from the CEO

See page 15 to read the statement from the CFO

See page 74 for our financial statements

Who we are

Our purpose

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

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 Motability 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.

We care

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

We find solutions

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

See more in our about us section on our website

Chairman's statement

The Scheme built on sustainability, service, fairness and value

"Ensuring the Scheme remains a cornerstone of independence, enabling disabled people to participate fully in society and live their lives."

The Scheme is evolving for the future

The Motability Scheme exists to enable independence for disabled people. For nearly fifty years, it has been a lifeline for so many, connecting people to work, education, healthcare and community life.

In November 2025, the Government confirmed in its Autumn Budget that the tax reliefs that benefit the Scheme's customers will reduce. This marks the beginning of an important evolution for the Motability Scheme, designed to absorb higher costs arising from reduced tax reliefs, and to ensure it remains fair, simple and sustainable for the long term.

The Board is acutely aware that any increase in lease costs could have a real impact on disabled people's independence and daily life. To minimise price increases, for customers taking out a new lease, the Scheme is considering a range of changes across the leasing package. The Board has been closely engaged with the Executive Committee and will work closely with the Motability Foundation to prepare for these changes.

The Scheme will continue to adapt as it has done since its inception. Details of the changes will be confirmed only when the impact to disabled people has been fully assessed. What is clear is that it will continue to serve disabled people responsibly and with care, reflecting the principles on which it was founded.

We have also set an ambitious new commitment: from 2035, half of all vehicles leased through the Scheme every year will be built in the UK, strengthening our support for UK manufacturing while maintaining customer choice and value.

Staying true to our purpose as we evolve

As we navigate this period of change, the Board recognises the challenges of the current operating environment, and against this backdrop the organisation has demonstrated resilience and adaptability, maintaining focus on what matters most.

A key part of our purpose is ensuring that essential elements of the Scheme remain strong. Wheelchair Accessible Vehicles (WAVs) remain fundamental to the Scheme and essential to many customers' independence. We continue to provide significant financial support to keep them as affordable as possible, contributing £77m this year. Together with the Motability Foundation, our total annual support for WAV users exceeds £110m. Looking ahead, WAVs will remain zero-rated for VAT and exempt from Insurance Premium Tax (IPT).

I am confident in the organisation's ability to deliver the evolved Scheme effectively. Further investment in systems, processes and partnerships will ensure that customers are well supported and that the Scheme remains financially strong and dependable, and operationally fit for the years ahead.

Proposed changes to the leasing package will undergo disability impact assessment by the Motability Foundation, which oversees the Scheme, before any changes are approved, announced and implemented.

Read our CEO statement

Creating wider impact

The Motability Scheme's impact extends well beyond the customers who use it. It contributes substantial social and economic benefit to the UK each year, supporting thousands of jobs, investments and skills across the automotive and mobility sectors.

By maintaining financial discipline and working closely with manufacturers and delivery partners, we continue to keep costs under control and ensure the Scheme remains accessible to those who rely on it.

Independent analysis by Oxford Economics* shows that:

The Scheme provides disabled people with a lifeline, while adding £4.3 billion to the UK economy each year

It supports 10,500 direct jobs across the UK, including through key partners such as RAC and Kwik Fit

* The impact of the Motability Scheme, a report by Oxford Economics. The content of this report has been calculated using financial year 2023 data, as reported in Motability Operations' 2023 Annual Report and Accounts.

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

Chairman's statement continued

Our customers

At the heart of everything we do are the disabled people and families who depend on the Scheme. Many drive themselves, while others rely on nominated drivers or adaptations that make mobility possible.

Among them is Vanessa from Derby, who uses an adapted vehicle fitted with hand controls and a wheelchair roof box so she can be active and independent. She describes her car as the difference between participation and isolation, a sentiment echoed by thousands of our customers across the UK.

Hearing stories like Vanessa's remind us why safeguarding the Scheme's future matters so deeply, and why we must approach the coming changes with care.

"We remain clear on our goals and steadfast in our purpose: to provide independence for disabled people today and for generations to come."

Thanks and recognition

On behalf of the Board, I would like to extend my gratitude to our CEO, Andrew Miller, and his Executive Committee for their outstanding work in a year that has been even more challenging than most. I also thank our colleagues at the Motability Foundation for their guidance, collaboration and oversight throughout the year.

I am grateful to our partners across the automotive and mobility sectors for their professionalism and commitment, and to every member of the Motability Operations team for your dedication and care in serving our customers.

Above all, I thank our customers for their continued trust in us. It is their confidence that underpins everything we do.

Looking ahead with confidence

The months ahead will focus on preparation and partnership. Together with the Motability Foundation, the Board will oversee the careful evolution of the Scheme, confirming that it remains accessible, affordable and sustainable.

We remain clear on our goals and steadfast in our purpose: to provide independence for disabled people today and for generations to come. Motability Operations continues to demonstrate the public good that can be achieved through a responsible, self-financing model that delivers value for customers, taxpayers and the country alike.

Rt. Hon. Sir Stephen O'Brien KBE
Chairman

Vanessa charging her adapted vehicle

Our strategic framework

Driving change together

Everything we do is about delivering smart and sustainable solutions that improve our customers' mobility. Running through our business are the three pillars of our strategy. Our priorities continue to be providing affordable options for our customers, valuing our people and ensuring the financial sustainability of the Motability Scheme.

In their own words

John’s story:

“The Motability Scheme gives me a car that suits my needs...

...and can be adapted as my health conditions change. It’s about being able to use the car to go where I want to go, when I want to go, and not having to rely on other people.”

John from Lincolnshire found his Scheme vehicle to be life-changing after medically retiring from the armed forces after 24 years.

Watch John’s story here

Our impact in 2025

In their own words

Imali's story:

"When I left college, I tried going to work in offices...

...and quickly discovered that wasn't going to work for me. That's where the idea for my business, Inkfire, was born from. We're here to help people get inclusive work. My Motability Scheme car is my main source of transport – getting me to client offices and seeing them in person."

Imali from Dorset has been on the Scheme since she was a child. Her husband and carer drive for her, including getting her to client meetings.

Watch Imali's story here

CEO statement

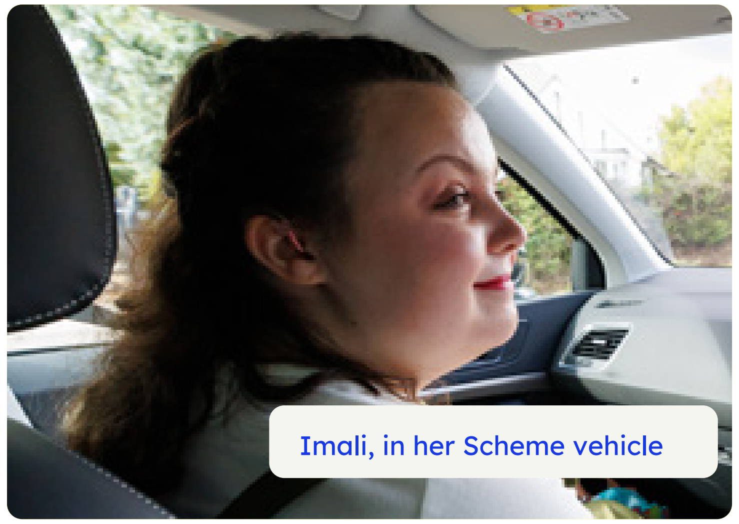
A vital national service providing independence for disabled people

"The Scheme's leasing model provides disabled people with a lifeline – connecting them to independence and freedom that changes lives."

Chances are, if you are reading this during an average weekday, there will be disabled people across the UK travelling to work, education or healthcare appointments because they have exchanged their higher rate mobility allowance for a Motability Scheme vehicle. The vehicle looks ordinary to most people but for the disabled people who use the Scheme, it is more than a vehicle – it is a lifeline.

Leasing a vehicle through the Scheme changes lives. It enables disabled people to get to work, education and training, improving their chances of getting and keeping a job. On average, customers are able to work two more days per week because of their Scheme vehicle.

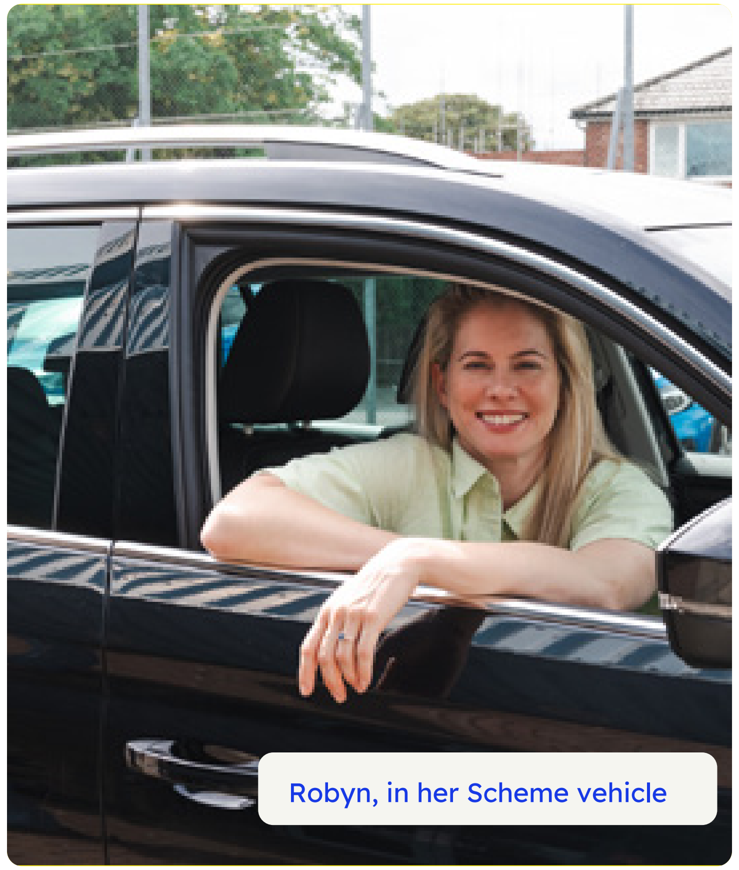
Imali from Bournemouth has been on the Scheme since childhood. She runs the UK's first disability-led marketing agency, Inkfire, and her vehicle allows her to balance client work, family and social life as her condition has worsened.



Imali, in her Scheme vehicle

Robyn, a Scheme Ambassador, who lives in Manchester, balances elite wheelchair basketball training with raising her daughter. Her car gets her to training, nursery drop-offs and family activities – proof that the Scheme underpins both ambition and everyday life.

Stories like these demonstrate to me why the Scheme matters. Behind every vehicle are people living fuller, more connected lives because of the independence it provides.



Robyn, in her Scheme vehicle

A refreshed Scheme that delivers for customers through change

The environment we operate in has changed significantly in recent years and will continue to evolve. We do not set the criteria for those able to join the Scheme. This is the role of government. For the fourth year in succession there has been a significant increase in the number of people the Government has awarded the mobility component of Personal Independence Payment (PIP) to. Whilst the percentage of people who receive the allowance and choose to spend it the Scheme has stayed static at around 30%, the rise in the total eligibility number has led to a significant increase in our customer numbers +75,000. This growth places huge challenges on the Scheme's ability to raise financing and maintain choice and level of service.

This growth coincides with managing the Government mandated electric vehicle (EV) transition, which places further challenges on the Scheme. It has significantly reduced the choice of petrol cars, increased lease costs, and it is reluctantly forcing some customers into cars over which they have concerns.

Like every other commercial organisation, we have also had to manage unforeseen inflation but unlike every other business our customer prices are set for the duration of the lease, so we have to absorb any increase ourselves. We have been especially hit by increases in insurance, and car hire, which have increased by 30.6% collectively.

Andrew Miller
CEO, Motability Operations

CEO statement continued

I am pleased and proud that, despite these pressures, alongside government-driven Scheme growth and the transition to EVs, we have maintained strong choice and excellent value, supported by outstanding customer service scores. These results show how we continue to adapt to keep disabled people moving, despite the challenges we face.

The recent government changes, removing some tax exemptions and premium cars, alongside continued growth and the transition to EVs, will make it even harder to maintain our outstanding customer experience. As Chief Executive, I must balance the competing and interconnected pressures within the Scheme's operating model which, given our tight operating margin, are essential to ensuring long-term sustainability.

All of the recent pressures through growth, the EV transition and now tax changes change the interrelationship of these tensions which are:

1. **Providing independence to disabled people in an affordable way** – through keeping Advance Payments (APs) as low as possible with a range of good value cars on the Scheme, including many at £nil AP while ensuring customer satisfaction scores remain high.
2. **Maintaining strong industry and manufacturer relationships** – ensuring that for our customers we have access to the right vehicles at the right price.
3. **Delivering a sustainable Return on Assets ("ROA") of at least ~1.5%** – ensuring that we have the balance sheet strength needed to support our customers and manage the Scheme through an uncertain external backdrop.
4. **Providing value for all** – ensuring value for money for our customers, the wider economy, and also the Government. We know the Scheme is on average 45% cheaper than alternatives, it provides access to insurance that at least 30% of our customers would otherwise not have and it supports over 34,000 jobs across every nation and region of the UK.
5. **Maintaining public trust** – by ensuring the Scheme is used as it is intended, and by providing a good range of vehicle that suit customers needs.

Despite these pressures, I am confident that we can flex the Scheme proposition, to ensure that we continue to deliver the fundamental components which make this Scheme a success. We will for example work incredibly hard to continue to offer vehicles at £nil AP, ensuring that people can still access cars – using only their disability benefit.

We will also continue to work closely with the Motability Foundation to ensure that those who need wheelchair accessible vehicles (WAVs) and adaptations continue to receive the right support. Together, Motability Operations and the Motability Foundation will continue to invest around £110m per year to maintain the ongoing provision of WAVs, and a further £20m annually to support over 82,000 customers with essential mobility adaptations. A total of around ~£700m over the lifetime of this Parliament.

While the external environment continues to change and evolve, our purpose remains constant: ensuring the Scheme continues to provide independence for our customers.

Adapting responsibly

This year we reported a financial result in line with expectations, with an underlying loss before tax of £66.7m, reflecting the continued impact of inflation in insurance costs, as well as wider market pressures. We have continued to manage costs with discipline and adjust pricing each quarter, continuing to reflect a margin of 1.5% return on assets in new leases.

- Our capital reserves give us the resilience to borrow, invest and protect the long-term sustainability of the Scheme (see page 18 for how this works)
- Every pound we make is reinvested to improve value and service for customers or is donated to the Motability Foundation
- We continue to manage costs with the utmost care to protect affordability and simplify the business

The return to underlying profitability in the second half of the year shows that the strategy we have set for the business is delivering, and we can take confidence from that. There is no complacency as we will need to work quickly to refocus the business to reflect the changed level of government support. I am confident that we can do that, and I appreciate the ongoing support the Scheme receives from government without that support the Scheme would struggle to be viable.

See the CFO statement on page 15 for further detail

Supporting jobs and industrial capability

Our primary role is to support the needs of disabled customers, so it is encouraging to see the results in the Oxford Economics* report highlight the important part the Scheme plays in helping people get to work and education.

According to Oxford Economics:

- 21% of customers report improved job opportunities as a result of their vehicle
- customers increase their working hours by an average of 14 hours per week
- The Scheme contributes £4.3bn to the UK economy each year
- The Scheme supports more than 34,000 jobs across manufacturing, dealerships, adaptations and servicing

The Scheme also plays a vital role in sustaining employment across the UK, underpinning tens of thousands of jobs in manufacturing, retail, servicing and mobility services – including at our facility in Coalville, Leicestershire. Here, colleagues assess and recondition vehicles returned at the end of lease to ensure they meet our high standards before resale through mfldirect. The 22-acre site prepares around 25,000 vehicles each year, generating revenue that is reinvested to protect value and affordability.

Looking ahead, we aim for half of all Scheme vehicles to be UK-built by 2035, with 25% by 2030, helping to sustain British manufacturing and attract further investment. However, for this ambition to be achieved we will need to work closely with government and the industry to increase the UK's automotive manufacturing capacity.

* The impact of the Motability Scheme, a report by Oxford Economics. The content of this report has been calculated using financial year 2023 data, as reported in Motability Operations' 2023 Annual Report and Accounts.

CEO statement continued

Supporting customers through the electric transition

The EV transition is hugely challenging for the sector and our customers. We are supporting customers as they move to EVs in a way that works for them. More than 105,000 customers have already made the switch.

For those who feel unable to move to EVs, we are working with partners to find solutions. This year we unveiled eVITA, the UK's first electric WAV demonstrator, and collaborated with Kia on the first manufacturer-built WAV. We will continue working closely with converters and, together with the Motability Foundation, provide funding for WAVs each year.

While challenges remain in charging accessibility and the wider UK EV transition, we are working with manufacturers and government to ensure it is fair and inclusive for disabled people.

Looking ahead with confidence

If you had asked me a few months ago, I would have said that in addition to maintaining the tensions in the Scheme's operating model our biggest pressure for the year ahead would be continuing to support customers through the UK's transition to EVs. With fewer petrol vehicles available and prices continuing to rise, this remains a significant challenge that we are working through. That pressure remains.

However, since the Autumn Budget, while working through the EV transition we must also consider the c.£300m increase to our cost base – on an annual basis – from the changes to the Scheme's tax treatment in a way that minimises customer impact.

The months ahead will be about preparation and partnership. We will take time to refocus the Scheme following the Government's changes, ensuring the Scheme continues to deliver great value for customers and for the country. The broader policy environment around the Scheme will also continue to evolve as the government undertakes the review of Personal Independence Payments (PIP) by the Rt. Hon. Sir Stephen Timms MP. Eligibility for PIP is a matter for government, but if it does change we expect that growth in our customers will also stabilise.

Against this backdrop we will:

- Ensure continuity of service and reassurance for customers
- Keep value and service quality at the heart of everything we do
- Support a fair and inclusive transition to electric mobility
- Invest in skills, innovation and UK jobs for the future

For nearly fifty years, the Motability Scheme has helped millions of disabled people to live more independent and connected lives. As we evolve for the years ahead, our focus remains on the people who rely on us every day.

The Motability Scheme will continue to serve disabled people – and in doing so, be a force for good for everyone, supporting the communities where our customers live and contributing to a stronger, more inclusive economy.

In closing, I would also like to thank my colleagues for their hard work, day in and day out supporting our customers in the most amazing way.

Andrew Miller

Andrew Miller
Chief Executive, Motability Operations

Business model

How the Motability Scheme works

Motability Operations runs the Motability Scheme, which is overseen by the Motability Foundation. Disabled people on the Scheme choose to exchange their mobility allowance for a vehicle lease, and any profit is reinvested back into the Scheme or donated to the Foundation.

Motability Foundation

The Motability Foundation oversees the Motability Scheme and awards grants to help those most in need access it.

Motability Operations group plc

Owned by four shareholding banks who have waived their right to equity dividends.

Manages financing of the Motability Scheme.

Motability Scheme

Motability Operations delivers the Motability Scheme.

1. Customer chooses to use their mobility allowance to lease a vehicle of their choice.

2. We borrow from the bank and bond markets to fund the vehicles. Reducing our level of reserves could therefore increase costs for customers through the higher interest rates for borrowing. See page 18 for more on our reserves model.

3. We work with our Motability Scheme partners to deliver our all-inclusive package. This is a three-to-five year lease package with fixed costs, including insurance, roadside assistance, servicing and EV support.

4. Customers hand back their Motability Scheme car at the end of their lease.

5. End of lease assessment and refurbishment at our refurbishment centre in Coalville.

6. Then we resell the vehicle to the used car market.

7. Revenue from this sale is reinvested back into the Scheme or disabled people's mobility.

VIDEO: Visit our website to see our animated business model

Our operating environment

How the Motability Scheme operates

External factors
The external pressures on the business model

Our operation
What we do every day

Value
The value we create

External factors

- Inflation and rising motoring costs
- Tax changes to the Scheme
- Rising energy costs and materials
- The UK's transition to electric vehicles (EVs)
- The prices of used cars fluctuate
- Supply chain disruption

Our operation

Motability Operations

Our robust business model is designed to protect our customers from rising costs during their lease.

Value

- Freedom and independence for our customers
- Motability Operations total contribution to GDP (Gross Domestic Product) is £4.3bn. Oxford Economics*
- Our people help us to provide the Motability Scheme to over 890,000 customers
- We work with the Motability Foundation to find innovative solutions for disabled people
- Our Motability Scheme partners help to provide our all-inclusive leasing package
- Our relationships with manufacturers and dealers are crucial to the way we run the Motability Scheme
- We also support our local communities with a range of initiatives
- We work with and support a range of healthcare and disability organisations

* Oxford Economics:The impact of the Motability Scheme, a report by Oxford Economics. The content of this report has been calculated using financial year 2023 data, as reported in Motability Operations' 2023 Annual Report and Accounts.

CFO statement

Securing long-term sustainability through financial discipline

"In 2025, financial results were in line with expectations, with performance strengthening during the year. Our strong capital position and funding base allows us to safeguard affordability for customers while we invest and prepare for an evolved Scheme."

Financial performance summary

- **Financial results in line with expectations:** We reported an underlying loss before tax of £66.7m.
- **Strong funding position:** £1.6bn in new Social Bonds issued, strengthening liquidity and our ability to connect disabled people to freedom and independence through our fleet.
- **Electric vehicle investment complete:** Since 2021, we have invested a total of £259.0m, which has now been fully deployed, to support over 105,000 customers to make the transition to electric vehicles (EVs).
- **Our capital reserves (invested to fund our cars on the road) stand at £3.9bn,** supporting affordability and sustainability, and providing the strength to borrow and invest for the long term.
- **Disciplined pricing maintained at a minimum 1.5% return on assets,** ensuring the Scheme remains self-sustaining and customers are protected from price shocks.

Financial performance

In 2025, financial results were in line with expectations, with performance strengthening during the year. Whilst we reported an underlying loss before tax of £66.7m (reflecting the effect of previous inflationary pressures on the extant fleet), this was skewed towards the first half of the year with underlying profitability returning in the six months to September 2025.

Our price list is updated each quarter, enabling us to reflect changing cost estimates regularly; and we continue to price a margin of at least 1.5% return on assets in our new lease pricing to underpin our financial sustainability and to strengthen future capital reserves.

Customer numbers continued to grow in 2025, albeit at a slowing rate. To support this growth, we secured additional long-term funding with £1.6bn of bonds issued in January 2025, providing us with healthy liquidity headroom. Our expectation is for growth rates to slow further into 2026.

The year saw a period of relative stability in used-car values, both in terms of our vehicle resale activity and our outlook for residual values. This stability has resulted in a reduction in our impairment provision.

The Government's Budget on 26 November included measures which affect the Motability Scheme. These are outlined below in the 'Outlook' section of my report. However, it is important to confirm upfront that these prospective tax changes will have no impact on the extant leases and so no impact on the 2025 financial results.

Enabling independence for disabled people

As the Government assesses and awards higher rate mobility allowances, the number of eligible people continues to grow, and our customer volumes reflect this trend. Our fleet increased by 9.8% in the year to more than 890,000 vehicles by 30 September 2025.

We received 186,000 new applications (including renewals) during the year (2024: 213,000), reflecting a 7.1% increase in the eligible base of recipients of the qualifying disability allowances. Demand for EVs also continued to rise, with EVs now representing 12.3% of the fleet and 17.0% of new applications. To support this growth and ensure our customers can access the independence and freedom the Scheme enables, the Group secured additional long-term funding, with £1.6bn of bond issuances during the year.

Financial review

Revenue

Total revenue for the year increased by 4.1% to £7,183.6m (2024: £6,898.9m):

- **Rental revenue was £3,464.4m (2024: £2,806.0m),** the 23.5% increase having been driven by a 12.6% increase in average customer numbers during the year, together with a 4.1% uplift in average mobility allowances compared to the prior year (allowances are uplifted each April based on the Consumer Price Index recorded in the previous September)

Matthew Hamilton-Jones
CFO, Motability Operations

CFO statement continued

- **Disposal revenue was £3,554.4m (2024: £3,961.7m)** down £407.3m year on year due to lower de-fleet volumes (238,000 vehicles sold compared with 277,000 in 2024), partially offset by higher average sales proceeds of £15.5k, up £0.6k per unit on 2024

Underlying result

Motability Operations reported a statutory loss before tax of £158.8m in the year to September 2025 (2024: loss before tax of £564.6m), with £144.6m of this loss in the first half of the financial year. To provide a more meaningful explanation of financial performance, it is useful to isolate the impact of several adjusting items, to arrive at a view of the underlying result. Our measure of our underlying result is an Alternative Performance Measure, as set out in note 2 of the Financial Statements.

The key items that are added back to arrive at the underlying result before tax are described below:

1. **Customer support programmes:** Surplus capital was invested in one-off initiatives to support customers through inflationary pressures:

   New Vehicle Payments (NVP): £193.5m (2024: £152.6m) providing £750 to support 894,000 customers.

   EV investment: £82.7m (2024: £57.7m) completing a total of £259.0m invested to subsidise prices for over 105,000 EV customers and fund 98,000 home charge-points.

   Although both programmes were closed to new applicants in 2024, their effects continue to impact results as payments are recognised over the lives of the leases they supported. Consequently, the impact on our pre-tax statutory result for the year of our NVP and EV investment programmes was £193.4m and £82.7m respectively.

2. **Residual value effects:** Movements in used car values can create significant result volatility; the underlying profit reconciliation highlights these effects.

   - **Gains on Disposal of Fully Terminated Leases: £5.6m (2024: £8.9m)** As was the case in 2024, the full-term disposal result for 2025 was close to the carrying value of assets at disposal with a £5.6m gain recognised across £2,200.3m turnover and 153,000 vehicles sold
   - **Residual Value Adjustments: £5.7m charge (2024: £116.1m credit)** Quarterly reassessment of fleet values ensures depreciation aligns with expected residual values. Operating lease assets were valued at £15.8bn at 30 September 2025 (2024: £14.3bn), with £13.5bn unguaranteed residual value (2024: £11.9bn). A 1% change in residual values would affect depreciation by £135m. The year-end assessment of residual values anticipated a net gain of £124.8m across the fleet relative to the original priced residual value. This outlook is broadly in line with the previous revaluation exercise leading to a minimal £5.7m charge for the year
   - **Movement in Impairment Provisions: £184.4m reduction (2024: £348.8m increase)** At 30 September 2025, impairment provisions stood at £164.4m (2024: £348.8m), reflecting a £184.4m reduction following reassessment of fleet carrying values against recoverable amounts

Reconciliation to underlying profit/(loss) before tax

£m	2025	2024	Note
Loss before tax	(158.8)	(564.6)	
Adjusting items:			
New Vehicle Payment incentives	**193.5**	**152.6**	4
EV investment	**82.7**	**57.7**	
Charitable donations	**0.3**	**0.2**	5
Residual value effects			
Gains from disposal of fully terminated leases	(5.7)	(8.9)	29
Residual value adjustments	5.7	(116.1)	6
Movement in provisions for impairment	(184.4)	348.8	
Total residual value effects	**(184.4)**	**223.8**	
Underlying profit/(loss) before tax	(66.7)	(130.3)	

After adjusting for one-off investments, residual value movements and impairment reversals, the underlying result before tax was a loss of £66.7m (2024: £130.3m) – a significant improvement on prior year. The main driver of this underlying loss was the continued drag of inflationary pressures on the extant fleet.

Customers' lease prices are fixed for the duration of their contract, so Motability Operations bears any unexpected cost increases. This shields customers from short-term inflationary pressures. Inflation has been particularly acute in insurance costs, which have risen 39% over the past three years. When cost inflation≈exceeds assumptions built into lease pricing, it adversely impacts financial results.

Whilst prices remain fixed for existing leases, new lease prices are reviewed quarterly, allowing us to adjust for revised cost estimates. As noted above, a minimum 1.5% return on asset margin continues to be priced into leases.

To mitigate inflation and protect affordability, we have introduced cost optimisation initiatives to reduce claims frequency and strengthen value from commercial partnerships. These pricing and efficiency measures have supported improved financial performance in 2025, with a return to underlying profitability in the second half of the year, demonstrating the strength and flexibility of our model.

CFO statement continued

£m	Six months ended 31 March 2025	Six months ended 30 September 2025	Twelve months ended 30 September 2025	Twelve months ended 30 September 2024
Statutory loss before tax	(144.6)	(14.2)	**(158.8)**	**(564.6)**
Underlying (loss)/profit before tax	(75.3)	8.6	**(66.7)**	**(130.3)**

Funding and liquidity

The Group continues to pursue a strategy of maintaining a strong liquidity position by means of a well-diversified ladder of funding maturities in GBP- and EUR-denominated capital market bond finance and committed bank facilities.

Given the continued growth in customer numbers, the outlay on new vehicle purchases in the year £6.5bn (2024: £8.1bn), significantly exceeded the £3.6bn (2024: £4.0bn) received from the sale of vehicles returned at the end of their leases. During the year, incremental bond finance was secured to support our growth and to provide liquidity headroom as we plan ahead. In January 2025, we issued three new bonds under our Social Bond Framework:

- £350m (20-year)
- €750m (8-year)
- €650m (12-year)

We retained our existing bank facilities (£400m term loan and £1.5bn revolving credit facility), which mature on 31 October 2029. Aligned to our wider sustainability agenda, this banking facility is a sustainability-linked loan, with margin ratchets linked to the delivery of challenging measures in respect of CO_2 reduction and customer satisfaction targets.

At the year end, the Group held cleared cash balances of £1.1bn (of which £253.0m was ring-fenced in the Group's reinsurance captive on the Isle of Man). The Group's average debt maturity was 10.1 years at the balance sheet date (2024: 10.4 years).

Our liquidity positions us well to accommodate the current customer order bank and medium-term growth expectations.

We maintain investment-grade credit ratings: A2 (Moody's negative) and A- (S&P stable).

Moody's changed its outlook for the Group from A2 stable to A2 negative following the Government's Autumn 2025 Budget announcement.

Outlook

This year's improvement in results and the return to underlying profitability in the second half demonstrate the resilience of our business model. The full benefits of our disciplined approach to lease pricing and cost optimisation will be reflected in future reporting periods, but 2025 already shows significant progress. We continue to price at a minimum margin of 1.5% return on assets, maintaining a strong capital base to protect affordability for customers.

Although future macroeconomic volatility remains possible, projected residual values remained stable through the year, and resale values of EVs are showing early signs of stabilisation. These trends, combined with re-pricing and cost-optimisation measures, provide confidence in a more stable financial outlook.

Closing capital reserves were £3.9bn, providing robust headroom above our Minimum Capital Requirement plus buffer, with a reserves-to-assets ratio of 24%.

Our financial strength positions us well as we prepare for an evolving Motability Scheme, ensuring it remains fair, simple and sustainable while continuing to deliver value for disabled people, taxpayers and the wider UK economy. Strong liquidity and capital reserves, combined with an agile approach to pricing, provides us with a solid foundation as we prepare to implement the changes enacted by the Government's Autumn 2025 Budget. These changes, which will come into effect for new leases from 1 July next year, include:

- 20% VAT on Advance Payments (APs) made by Motability customers. APs are any additional upfront payments made by customers over and above the rental payments that are covered by eligible allowances (APs are currently zero-rated for VAT)
- The current exemption from paying IPT on the insurance provided by the Group will be removed

We are actively considering changes to the lease proposition to offset, insofar as possible, the impact of these new costs on lease affordability for our customers.

We expect customer numbers to continue growing in the medium term, albeit at a slower pace, reflecting affordability pressures. We are also monitoring the government's Timms Review of Personal Independence Payments, which may affect future eligibility for the Scheme.

We are committed to ensuring that we continue to provide a customer proposition that is affordable and represents great value for money. Our focus remains clear: keep offering customers a proposition that is great value, support a fair transition to electric mobility and ensure the Scheme evolves to meet the changing needs of our customers.

Matthew Hamilton-James
Chief Finance Officer, Motability Operations

Motability Operations' reserves

How our reserves work

Our capital reserves

We do not hold any reserves as cash. Any profits we generate are reinvested back into our customers' mobility or by providing discretionary donations to the Motability Foundation.

By reinvesting our profits we're able to reduce the amount of additional funding we need to run the Motability Scheme.

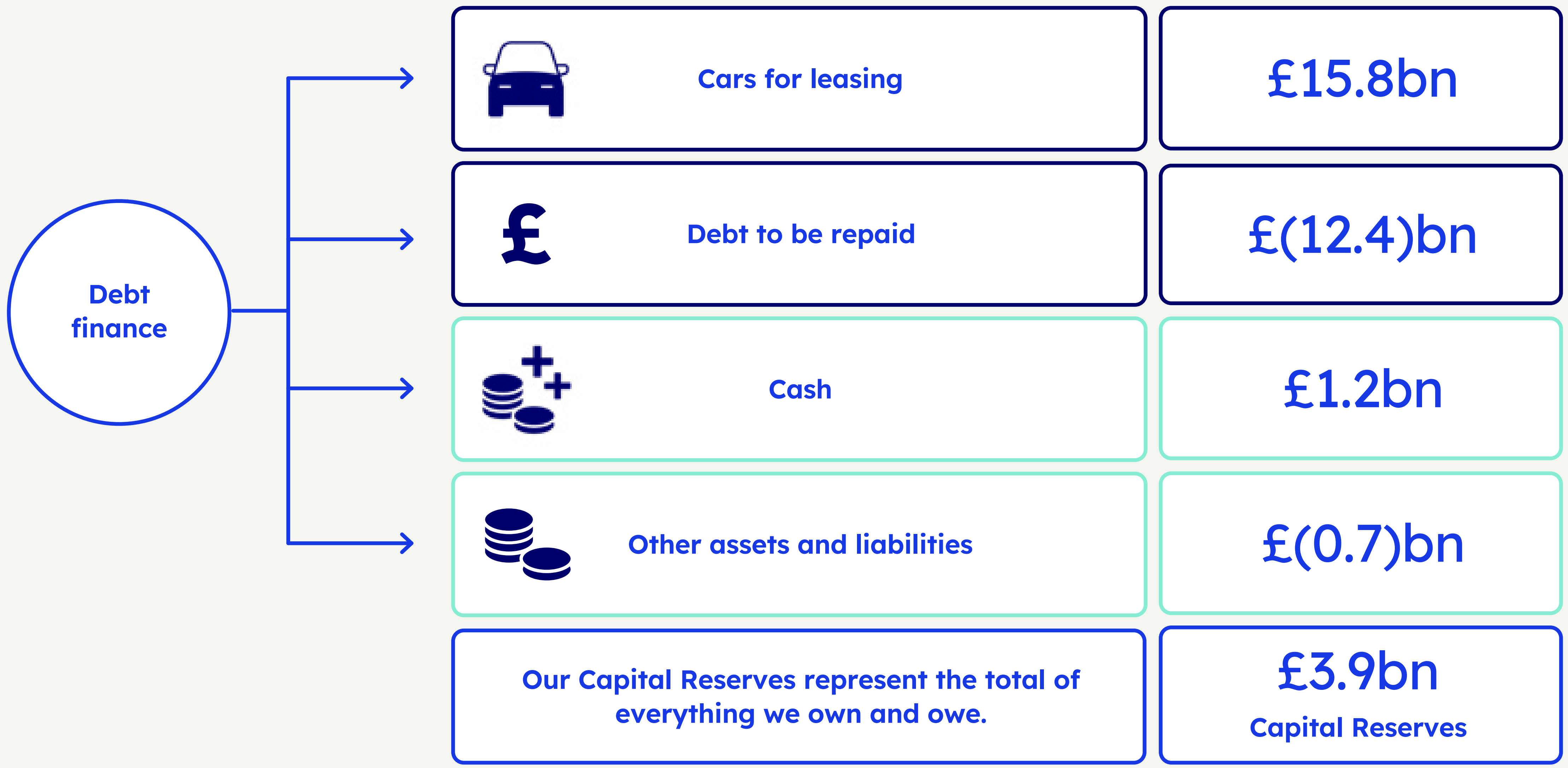
Our operating model is designed to ensure the Motability Scheme is here for the long term and to protect all customers from unexpected costs during their lease.

Our capital reserves provide this protection, shielding customers from volatility and protecting the Motability Scheme from the risks it faces. As our customer numbers have increased, so has our capital requirement.

As at the end of September 2025, our fleet of customer vehicles was valued at £15.8bn, of which £3.9bn was funded using our reserves. The remaining amount is financed through the bank and bond markets.

We fund the balance of the fleet by periodically borrowing from the bond market – this debt provides us with the cash headroom we need to support purchases of new vehicles for customers. We spent £6.5bn on vehicle purchases in 2025.

How we put our reserves to work



In their own words

Alex's story:

"If there wasn't a Scheme that moved with my changing condition...

...it would have been really difficult for me to be mobile."

Alex from London has been on the Scheme for over 30 years. She now uses a passenger Wheelchair Accessible Vehicle (WAV), but she hasn't always been in a WAV. She used to drive herself with adaptations, but as her condition has changed, the Scheme has moved with her.

Watch Alex's story here

Motability Scheme KPIs

KPIs – measuring our success

We track performance through a range of contractual objectives as agreed in the 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
- 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 delivered extensive training for our frontline teams in 2025. This included EV immersion training (469 attendees and 1,554 e-learning completions) alongside specific sessions designed to ensure we supported customers as we delivered Scheme changes. This was supported by over 6,000 1-2-1 coaching sessions to ensure our teams deliver the highest quality of service
- In 2025 we delivered 1,677 EV training sessions to over 14,000 Motability Specialists at dealerships, with content focused on supporting customers with EV education
- Dealer quote – “It built my confidence to have conversations with customers around EVs, I feel more equipped with practical tools also to help reassure and guide our customers.”

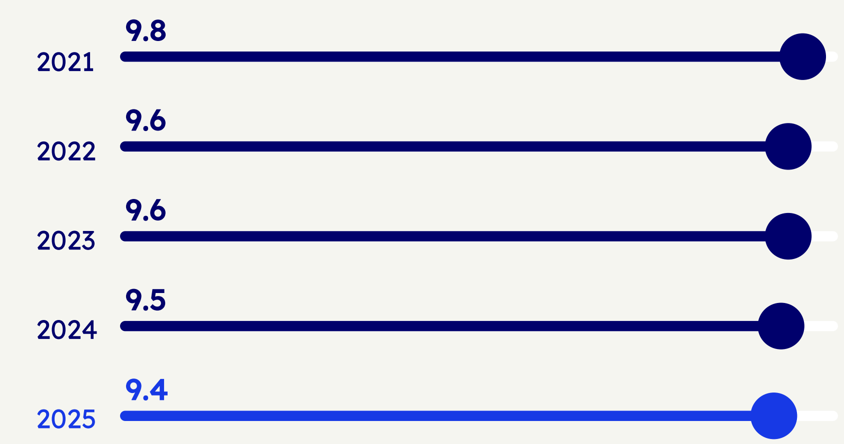
Overall customer satisfaction

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

9.4 out of 10*

Target of 9.2 out of 10

* Ipsos interviewed 5,572 Motability Scheme Car customers online between 27 February 2025 - 20 March 2025. Data has been weighted to the profile of Motability Scheme Car Fleet customers.



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 37.65 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.

38 mins

Target of <42 mins

Motability Scheme KPIs continued

Provide 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 (AP)'
- Ensure that our residual value-setting and forecasting is the best in the industry
- Retain our market leadership for vehicle remarketing

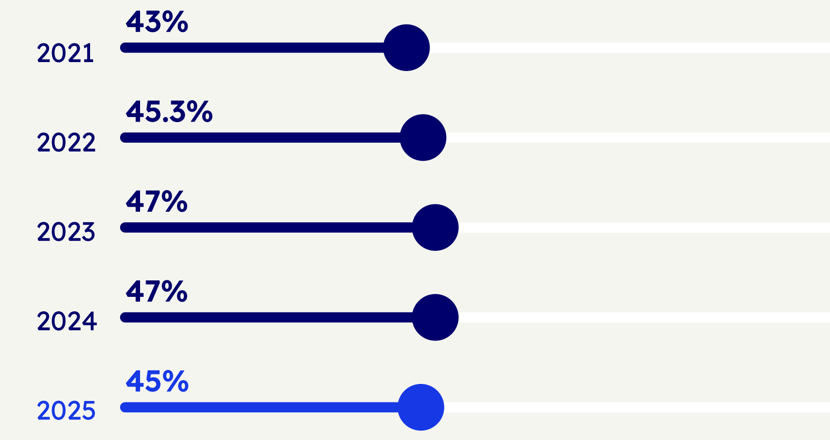
Delivery

- 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 four new manufacturers joined the Scheme which enabled us to access new and relevant electric vehicles (EVs) as they come to market ensuring our customers continue to have access to new technology as we move towards 2035
- Fulfilling the KPI 'Maintain a range of at least 200 cars at "nil Advance Payment (AP)" has continued to come under pressure as a result of the continued supply chain constraints, albeit that we have had on average 52 cars on the Scheme with a nil AP throughout the year compared to 108 last year, which still provides choice and affordability for our customers when they need it most
- Our EV fleet continues to grow and is now at 12.3% of fleet. We have installed 28,288 chargers through our EV charging point partner Ohme
- 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.

45%

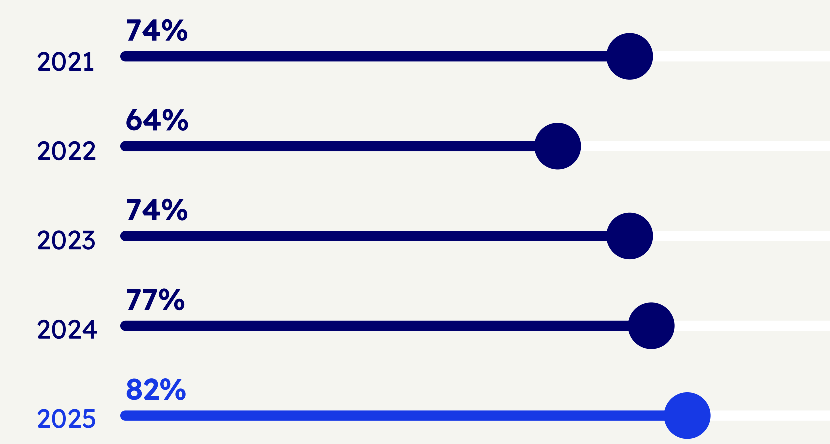


% of vehicles sold online at the end of lease

Selling via our online sales channel, 'mfldirect', 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.

82%

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 October 2024 to September 2025 we were unable to reach this target because of low availability due to continued supply constraints.

52

Target of >200*

* Average from Oct 24 – Sept 25

Motability 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 Motability Scheme Live events, over the summer, attracted over 13,000 attendees across three events and 1,167 test drives. We were delighted to be able to host one of these events in Northern Ireland again
- We launched the EV Transition Tracker that combines customer insight and broader data to evaluate how the UK is progressing with the switch to electric and to better understand the barriers to adoption
- 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 the launch of Career Pathways and Skills Builder together with the Career Framework and the Early Careers support programme
- We have continued to provide operational and disability confidence training for dealer Motability specialists, through our online platform. As part of our bespoke EV training module we delivered training to over 14,000 Motability Specialists and our dedicated EV Customer Services team provided dedicated EV support to our customers
- Over 698,000 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 pilot 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 was endorsed by the DWP with funding to date provided by the Motability Foundation, and during the year more than 583 families were supported by the provision of an appropriate vehicle
- This year, we have continued to strengthen our valued partnerships with Team BRIT, British Wheelchair Basketball, and Scottish Disability Sport and supported Abnormally Funny People at the Edinburgh Fringe. Through these partnerships, we've reached customers and prospects at a range of events and across multiple digital channels. Our Motability Scheme Brand Ambassadors, Robyn Love, Mark Ormrod, Laurie Williams, Tony Hudgell, James Hunt, and Ally Chalmers, have also played a key role in championing our brand. By sharing their lived experiences as Scheme customers, they help to break down barriers and inspire confidence in others
- Throughout the year, we've also continued to support our dealer partners in enhancing their marketing activities to increase reach and awareness. We launched refreshed Point of Sale materials, enabling dealers to showcase our branding in their forecourts and showrooms, helping customers recognise and trust that they are engaging with the Motability Scheme. In addition, we've provided ongoing guidance, marketing assets, templates, and brand guidelines to ensure the Scheme is represented consistently and effectively across all customer touchpoints

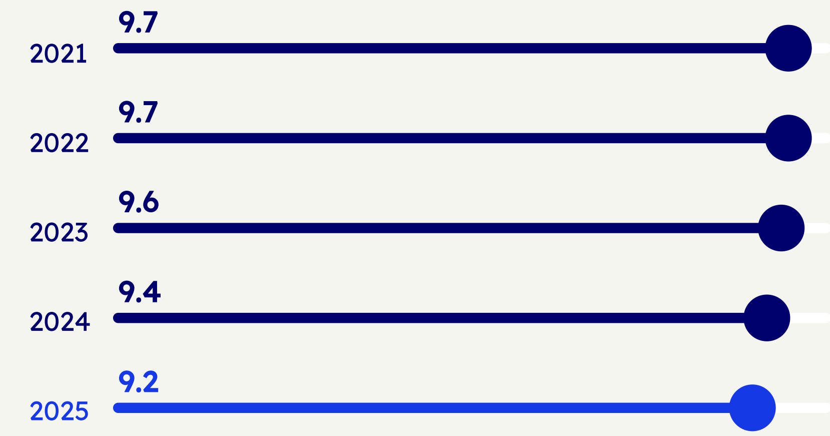
Trust in Motability

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.

9.2 out of 10*

Target of 8.5 out of 10

* Technical note: Ipsos interviewed 5,572 Motability Scheme Car customers online between 27 February 2025 - 20 March 2025. Data has been weighted to the profile of Motability Scheme Car Fleet customers.

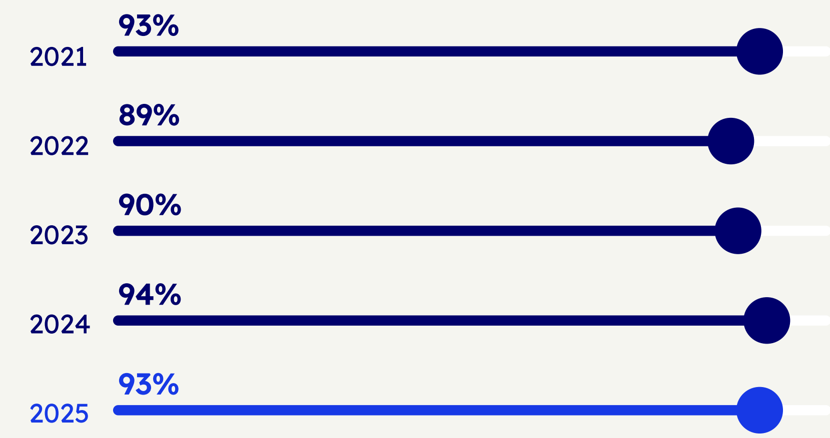


Customer renewal rate at the end of lease

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 2025 this was maintained at 93.2%, compared with a KPI target of 85%.

93%

Target of >85%



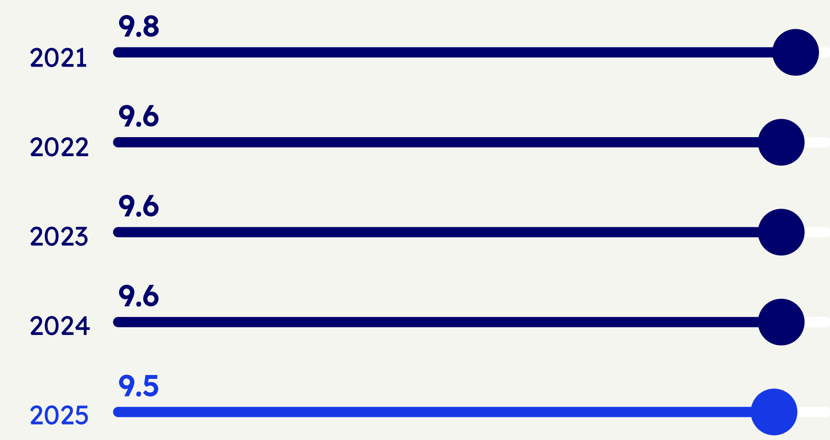
Customer advocacy

Existing customers are the Scheme's biggest advocates, with 9.5 customers out of 10 saying that they would recommend the Scheme to others.

9.5 out of 10*

Target of 8.5 out of 10

* Ipsos interviewed 5,572 Motability Scheme Car customers online between 27 February 2025 - 20 March 2025. Data has been weighted to the profile of Motability Scheme Car Fleet customers.



Motability 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

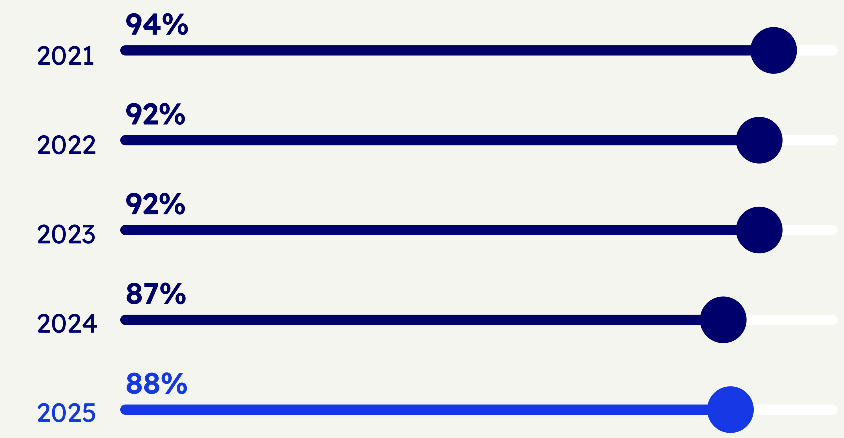
- Continued volatility in the used car market and higher inflation in lease cost components during the year ended 30 September 2025 are the primary drivers for our negative financial results
- We continue to apply capital modelling methodology and our applied risk appetite and confidence levels, and 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 strengthened our e-learning modules
- Maintained a proactive engagement programme with key stakeholders, operating in a transparent and straightforward manner
- Our near-term (2032) and long-term (2050) science-based targets (SBTs) have been approved by Science-Based Target Initiative (SBTi). These are based on 1.5 degree warming and achieving net zero by 2050 at the latest

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.

88%

Target of 84%



Credit rating

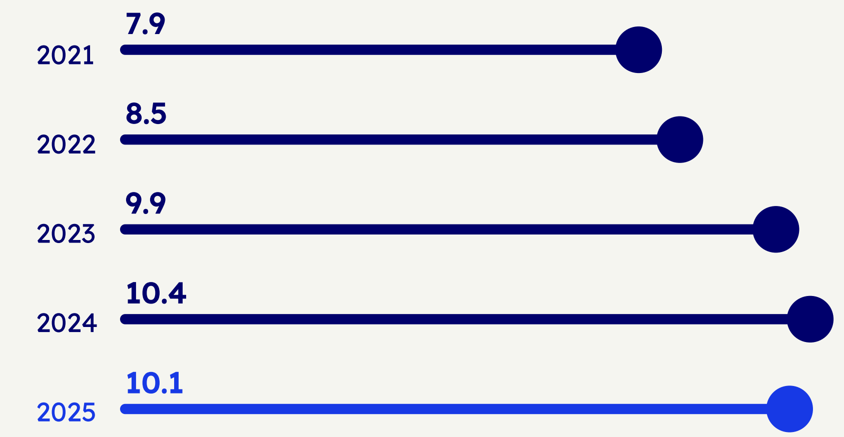
Our credit ratings underpin our ability to fund the Scheme in a sustainable and cost-effective manner. Our ratings are A- stable from Standard & Poor's and A2 negative from Moody's.

A-/A2

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 above eight years.

10.1 yrs



Driving change for people and society

Our people

Everything we do starts with our customers – the disabled people whose independence we enable through the Motability Scheme.

Our people bring that purpose to life every day. Their commitment and care ensure that the Scheme delivers value for our customers, helping them stay connected to work, education and their communities.

Transforming together

Over the last year, we have continued to evolve our business to keep the Motability Scheme sustainable, affordable and ready for an electric future. Growing interest in how we operate alongside wider external pressures has reinforced our commitment to delivering for our customers.

Our people have responded with professionalism, resilience and care, while our people strategy remains central to achieving our priorities and managing operational risk. We continue to align workforce planning and capability building to support the long-term sustainability of the Scheme.

Developing skills to better serve our customers

Our business continues to evolve, and we're investing in learning, leadership and career development so our people have the skills and confidence to adapt and deliver for our customers.

Our investment in learning and development:

- **Career Framework:** Designed in consultation with teams across the business, it provides a clear and consistent structure that reflects the organisation's growth and helps colleagues understand how they can progress
- **Career Pathways and Skills Builder:** A dynamic online resource empowering colleagues to take ownership of their development, identifying skills gaps, exploring career routes and accessing targeted learning opportunities
- **Early careers:** Continued investment in future talent, welcoming 19 apprentices, six placement students and four scholarship students. These opportunities support disabled and ethnically diverse students through bursaries, work placements and mentoring
- **Leading Change toolkit:** A new digital toolkit launched in Autumn 2024 to support managers in leading through transformation. It promotes a change mindset and gives practical tools for supporting teams in real time
- **Mandatory training:** Delivered key modules across the business, including enhanced awareness of cyber security and data protection responsibilities

These initiatives ensure colleagues are supported, skilled and confident to meet changing customer needs, helping us deliver a simple, reliable and inclusive service for disabled people.

88%
Employee engagement
89% participation in myView survey

93%
Inclusion score
our highest-rated area

Recognition over 8,500
peer-to-peer 'Bravo' nominations

Learning and development
25 new e-learning modules launched

Delivering mandatory training

Including increasing awareness of cyber security threats and data protection responsibilities

Our people continued

Listening, engaging and acting

We know engaged colleagues deliver better outcomes for customers. Our annual myView survey, run with Willis Towers Watson, helps us understand what matters most to our people and where we can improve. In 2025, participation reached 89%, with results improving across all categories and outperforming UK and High-Performance Norms.

2025 results

- The biggest improvements were in Leadership, while Inclusion remained our highest-rated category at 93/100
- Focus areas to take forward are leadership, efficiency, and managing change
- 98% of colleagues said they fully support the values that define how we work
- We also introduced a pulse survey to review engagement levels and gather feedback following the implementation of our new Career Framework. 78% of employees responded

Ongoing dialogue

Our regular communication and engagement programme keeps our people informed, connected and aligned to our shared purpose. Throughout the year, we have continued to strengthen how we communicate with employees:

- Employee roadshows held in the autumn and spring shared updates on strategy, performance and priorities, featuring presenters from across the business
- Quarterly CEO webinars, to keep employees up to date on what's happening across the business, which includes a live Q&A
- 'Question Time' sessions on key initiatives, including the EV transition
- MOConnect intranet for news, recognition and feedback

Recognising our values

Our shared values guide how we work every day:

We drive change | We find solutions | We care

We recognise and reward the behaviours that make the greatest difference to customers' lives and the success of the Scheme.

Recognition and reward

- Bravo peer recognition Scheme: over 8,500 thank-yous during this financial year
- Held our second MOscars awards celebrating innovation, teamwork, leadership and belonging. Receiving over 200 nominations from around the business
- Continued commitment to developing fair pay and benefits – see our Pay Gap Report 2025 for more detail on gender and ethnicity pay and the actions we are taking to close gaps over time

Diversity and inclusion

We're committed to building a diverse and inclusive workplace that reflects the communities we serve.

Our approach focuses on creating a culture where everyone feels they belong and can contribute their best, helping us better understand and meet the needs of disabled customers.

Strength through change

This year has brought continued transformation and increased attention on how we deliver value.

Our people have responded with integrity, composure and commitment – maintaining exceptional service for customers and strengthening confidence in how we operate.

Their resilience under pressure has demonstrated the strength of our culture and values in action.

Further detail, including workforce data and pay actions, is available in our 2025 reporting suite below.

Read our Impact Report 2025

Read our Pay Gap Report 2025

In their own words

Vanessa's story:

"My car gives me an enormous sense of freedom...

...I wouldn't be able to go to half the places that I go to without it. To be able to have a car with all the adaptations you need, means that I can virtually do anything."

Vanessa from Derby has been on the Scheme for 25 years. She has adaptations to her Scheme vehicle, including hand controls, and has used her car to travel for her work as a teacher.

Watch Vanessa's story here

Impact and sustainability

Impact and sustainability overview

We're committed to creating positive social impact for our customers, reducing our impact on the environment and ensuring the long-term sustainability of the Motability Scheme.

This year, we refreshed our Impact & Sustainability (I&S) strategy to sharpen how we deliver against our Environmental, Social and Governance priorities. Evolving from our original People, Planet, Principles framework, the new approach reflects how deeply I&S is embedded across Motability Operations. Our customers remain at the centre of everything we do, and our impact and sustainability pillars help ensure the Scheme remains resilient for the long term, we drive down our environmental impact, support our people and communities, and create lasting positive change across society.

Our impact and sustainability pillars

Delivering for our customers

A strong Motability Scheme
Sustaining the Motability Scheme for our customers for the long term

A greener tomorrow
Protecting our planet by decarbonising our operations, fleet and supply chain

A thriving society
Fostering equity for our customers, employees, communities and society

All supported by the UN Sustainable Development Goals

2025 in review

This year, we became a certified B Corp, joining a global community of businesses committed to being a force for good in the world. Certification recognises the way we support our customers, employees, communities and environment.

We scored 100.4* points across five categories:

B Lab, the organisation who certify B Corps, also award points for **impactful business models**. Motability Operations scored 16 additional points in the customer section because of our commitment to serve an underserved population (disabled people).

1. What we do for our customers	27.9
2. How we support our employees	26.9
3. Purpose and good governance	16.7
4. Giving back to our communities	14.6
5. Protecting the environment	14

Read our Impact Report 2025

* Totals might not equal the overall verified score (100.4) due to weighting and B Lab's category rounding.

Impact and sustainability continued

Sustainability disclosures

In line with sustainability reporting requirements, we are disclosing our Streamlined Energy and Carbon Reporting (SECR) and Task Force on Climate-related Financial disclosures (TCFD) in this annual report and accounts. All other sustainability disclosures can be found in our Impact Report including our FY24 and FY25 carbon footprint.

Statement of carbon emissions in compliance with 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 1 October 2024 to 30 September 2025	Comparison reporting year 1 October 2023 to 30 September 2024
Emissions from activities which the Company owns or controls including combustion of fuel and operation of facilities (Scope 1)/tCO_2e	• 168.06	• 244.58
Emissions from purchase of electricity, heat, steam and cooling purchased for own use (Scope 2, location-based)/tCO_2e	• 663.58	• 832.22
Total gross Scope 1 & Scope 2 emissions/tCO_2e	• 831.64	• 1,076.80
Energy consumption used to calculate above emissions: kWh	• 4,629,541	• 5,325,920
Intensity ratio	• 0.0313	• 0.0471
Methodology	Total gross CO_2e/ square metre of floor space	

Please note: A review identified more accurate methodology in the FY24 SECR figures published in last year's Annual Report. The total Scope 1 and 2 emissions were stated as 1,079.8 tCO_2e these have been restated to 1,076.8 tCO_2e with the intensity ratio also updated. This was an overstatement and therefore has reduced the reported numbers for FY24. The comparative figures in this report have been updated accordingly.

Emission reporting methodology

We have used the same methodology across the calculation of all disclosures in this report. Our emissions have been converted and expressed in terms of their carbon dioxide equivalent using the UK Government greenhouse gas (GHG) conversion factors.

We have brought our carbon reporting capability in-house and can calculate our carbon footprint in line with our financial reporting year. All of our carbon footprint emissions in this report reflect financial year 2025.

Energy efficient actions

We practise responsible energy management and maximise efficiency across our operations, recognising that climate change is one of the most significant challenges facing society today.

Following the successful relocation of our London office in September 2024, FY25 marks, our first full year in the new Building Research Establishment Environmental Assessment Method (BREEAM) Excellent-rated office at 22 Bishopsgate. The move has already delivered significant reductions in energy consumption, supported by improved building systems, smart controls, and a more efficient use of space.

During the year, we also opened our new refurbishment site at Coalville, which has been designed with sustainability at its core. The site incorporates roof-mounted solar panels, air-source heat pumps, and water-recycling wash bays. These measures collectively reduce reliance on fossil fuels, lower carbon emissions, and minimise water and energy consumption.

Across all sites, we continue to purchase electricity backed by Renewable Energy Guarantees of Origin (REGO) certificates, ensuring 100% of the electricity used at our Bristol, Edinburgh, London, and Coalville locations is from renewable energy providers. We also monitor and analyse energy consumption through our building management systems to identify and address any areas of avoidable waste.

Motability Operations remains committed to making continuous improvements to energy performance, embedding sustainability within our facilities and operations, and supporting the UK's transition to a lower-carbon economy.

Impact and sustainability continued

Climate-related financial disclosures

We are required to meet climate-related financial disclosure requirements under the Companies Climate-related Financial Disclosure Regulations 2022. We have chosen to structure our disclosure in line with the four TCFD pillars, improving the quality, consistency and transparency of climate-related financial disclosures.

1. Governance
2. Strategy
3. Risk Management
4. Metrics and Targets

Based on our 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 our next steps will be to dive deeper into some of the more material risks we have identified from the qualitative climate scenario analysis we conducted and quantify their impacts.

1. Governance

To ensure sufficient oversight of climate-related risks and opportunities we have a robust governance structure that fosters two-way collaboration and information sharing. The Chief Finance Officer has executive responsibility for impact and sustainability including climate risk. This role represents impact and sustainability at the Board, Executive Committee and Impact and Sustainability Committee. The CFO is supported by our Impact and Sustainability team.

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 Committee.

Our climate governance structure

The Board

Approves and oversees the business's strategy including impact and sustainability

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

Impact and sustainability, including climate risks and opportunities, are regularly reported to the Executive Committee

The Board delegates responsibility for developing the organisation's strategic direction to the Executive Committee which considers changes in regulation, market conditions and climate-related scenarios

Risk Management Committee

Oversees business risk, including climate-related risks and opportunities. Meets monthly to identify and manage risks and opportunities, including climate-related risks

Business Risk team

Supports the business to identify, assess and manage risk

Impact and Sustainability Committee

Oversees impact and sustainability progress, initiatives and future roadmap. Meets monthly and provides content into the Executive Committee

Impact and Sustainability team

Creates strategy, delivers impact and sustainability and embeds this across the business

Impact and sustainability continued

2. Strategy

We assess risks and opportunities in the context of our strategy and objectives, including climate change. We have used climate scenario analysis to identify climate-related risks and opportunities across scenarios and future time horizons. From our risk assessment processes, three potentially material climate-related risks have been identified.

Risk description	Potential financial impact	Mitigation measures
Risk type: Transition: Market		Magnitude of impact · Likelihood · Time horizon
• Changing climate-related regulations, consumer behaviour or infrastructure changes could lead to decreased market value of second-hand vehicles	• Decreased asset value or asset useful life leading to write-offs, asset impairment or early retirement of assets	• Quarterly forecasting of residual value movements • Use the Bank of England's climate scenarios to calculate residual value and incorporate results into the Economic Capital process • Use of different external data sources and forecasts to support forecasting of future residual values
Risk type: Transition: Emerging regulation		Magnitude of impact · Likelihood · Time horizon
• Implementation of carbon pricing and taxation could impact vehicle manufacturers in the supply chain, indirectly increasing operational expenditure • Reduction in the range of makes and models available through the Scheme due to emerging climate-related legislation (e.g. ZEV Mandate)	• Increased operating costs • Reduced revenues due to lower customer demand	• Supply chain diversification through purchasing Scheme vehicles from a range of car manufacturers • Quarterly pricing cycles enabling quick reactions to prices and negotiation cycle with manufacturers to secure discounts • Close management of manufacturers by the account management function providing early oversight of potential price changes • Increasing Advance Payments to cover price increases • Three-year lease cycles allow quick cycling of products • Executive remuneration and corporate targets based on the percentage of EVs in the fleet mix
Risk type: Physical: Acute		Magnitude of impact · Likelihood · Time horizon
• Supply chain challenges for the production of EVs due to availability of materials needed	• Increased operating cost due to rising vehicle prices	• Supply chain diversification through purchasing Scheme vehicles from a range of car manufacturers • Quarterly pricing cycles enabling quick reactions to prices and negotiation cycle with manufacturers to secure discounts • Close management of manufacturers by the account management function providing early oversight of potential price changes • Increasing Advance Payments to cover price increases

Key

Impact/Likelihood	Time horizon
Low · Medium · High · Very high	Short term · Medium term · Long term

Find our full Climate Scenario Analysis here

Read our latest Impact Report

3. Risk Management

The risk landscape is constantly evolving, influenced by industry-wide challenges and evolving regulation. We use the 'three lines model' with a dedicated Risk function, as outlined in our Risk section on page 34.

Significant work has gone into analysing our climate-related risks and opportunities, identified over the short, medium and long term. The climate-related risks identified through climate scenario analysis in 2024 form part of our corporate risk register, holding equal status with all other business risks.

4. Metrics and Targets

We have calculated our footprint across Scopes 1, 2 and 3 and have reported on this within our Impact Report. Calculating our carbon footprint in-house has allowed us to create our first net zero transition plan. We have set near-term and net zero science-based targets, approved by the SBTi, that are aligned to a 1.5 degree warming scenario.

Emissions associated with our vehicle fleet made up 98% of our total emissions in 2025. The most significant emissions reduction will come from the transition of our customer vehicle fleet to lower-emission fuel types, like EVs and plug-in hybrid electric vehicles (PHEVs). To support this goal, Executive Committee remuneration targets are linked to the percentage of Motability Scheme customers choosing to take an EV. To measure the seamlessness of the transition, we monitor customer satisfaction as customers move to EV.

Climate scenario analysis (CSA)

We have committed to undertaking bi-annual climate scenario analysis that considers:

- Short-, medium- and long-term time frames
- High carbon scenario (4 degrees of warming)
- Low carbon scenario (1.5 degrees of warming)
- Impacts, likelihoods, risks and opportunities

Our most recent climate scenario analysis was completed in 2024. These results have been validated through the Double Materiality Assessment conducted in 2025. There have been no material changes to our CSA risks or underlying assumptions.

A word from the Motability Foundation

Motability Foundation

"The Motability Scheme continues to be a cornerstone of independence for disabled people, who would otherwise remain disadvantaged by the persistent shortcomings within the transport market. Our unwavering commitment ensures that accessible transport options are available to those who need them most, firmly addressing an area where wider market provision all too frequently falls short."

Over the past year, we have seen no requirement to make changes to the Motability Scheme strategy, reflecting the robust and stable proposition the scheme currently offer disabled people. This consistency is a testament to our careful stewardship and ongoing engagement with our community. While there will be necessary changes to how the Motability Scheme operates in response to changes announced in the Autumn Budget 2025, our focus remains on protecting the Scheme for those who need it most and ensuring that it continues to meet their needs.

We take considerable satisfaction in the performance of Motability Operations, whose delivery of the Scheme has once again demonstrated resilience and excellence. We are pleased with their performance against the Motability Scheme KPIs through challenging conditions and these have been reset for the coming year. Despite prevailing market headwinds, Motability Operations maintain a consistently high standard of customer service, ensuring the experience for disabled people remains positive and dependable. This achievement is not only commendable but sets the bar for what is possible in accessible transport provision.

We would like to congratulate everyone at Motability Operations for the way they have adapted to change in order to continue to offer vital support to customers, particularly through the transition to electric vehicles. Changes to the external operating environment will accelerate in the coming years, and we will work closely with Motability Operations to ensure customers continue to receive the support they need.

A range of cars have remained available on the Scheme with a nil advance payment, despite continued headwinds and the market wide rising cost of motoring. It is important that customers have a choice of affordable vehicles on the Motability Scheme, and we are committed to maintaining a range of affordable vehicle options over the coming years.

In addition to our oversight of Motability Operations and the Motability Scheme, we provide grants to help people access the Scheme, supporting those most in need to access transport. More than 10,000 Motability Scheme customers received a grant in the year ending March 2025. Whilst we are proud of this impact the increasing necessity to manage our resources with greater stringency has led to a tightening of our eligibility criteria. These decisions are never taken lightly, but they are essential to safeguard the long-term sustainability of our charitable work and ensure we can continue supporting those who need it most until further donations from Motability Operations become possible.

The sustainability of Wheelchair Accessible Vehicle (WAV) provision remains a pressing concern due to high inflation and the cost challenges presented by the transition to electric vehicles. In the absence of government support since 2017, we have taken decisive action, investing £47m through our charitable funds, alongside agreeing to a further £77m subsidy within the Scheme pricing structure.

We will continue to prioritise grant funding for the ongoing provision of WAVs, and work with Motability Operations to help maintain their availability and affordability on the Scheme. These substantial commitments are vital, as many of our beneficiaries with complex requirements are wholly reliant on these vehicles for their independence and quality of life. We will continue to champion their needs and seek sustainable solutions, advocating to ensure that their voices are heard.

A word from the Motability Foundation continued

Beyond the Scheme itself, we are equally proud of the breadth and depth of our wider charitable activities. Through strategic grants to partner organisations we estimate that we are helping more than 175,000 people. In the year ending March 2025 we awarded £14.7m in grants to 31 organisations, including over £4m to develop, improve and expand community transport provision.

This year we have launched our new funding rounds, which will take a more responsive and dynamic approach to driving change within the sector, with new grants are available on a rolling basis. We aim to spend up to £50m in grant making for other organisations over the next five years.

We are also continuing to carry out our own research and innovation projects to address transport inequalities and ensure disabled people are not left behind as transport evolves. As well as founding and funding the National Centre for Accessible Transport we have a partnership with the Royal National Institute for Blind People, which is developing innovative ways of improving journeys for disabled people. We have also continued our work to ensure public electric vehicle charge-points are designed to be accessible.

This year we launched our new strategy for 2025-2030, which sets out how we will put the voices and experiences of disabled people at the heart of everything we do and work in partnership with others to build transport equity.

We remain committed to building a future where all disabled people have the transport options to make the journeys they choose, and we will take decisive action to ensure that no disabled person is left behind as transport continues to evolve.

Our year in numbers

10,473
grants provided to Motability Scheme customers, worth £59.3m

31
grants to organisations, totalling £14.7m

£4.2m
awarded across 11 grants to develop and improve Community Transport

£50.5m
provided to 101 organisations over three years, helping more than 175,000 people

3,376
grants for driving lessons awarded, totalling £5.6m

Risk management

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

We continue to navigate a rapidly evolving and increasingly complex risk landscape, shaped by the automotive sector's transition to electric vehicles, global economic volatility, political instability, and the ongoing expansion of the Scheme. These interconnected factors are redefining our risk profile and require agile, forward-thinking strategies to ensure resilience and long-term sustainability.

We remain firmly committed to safeguarding our customers' interests through a robust risk management approach that proactively mitigates financial, reputational, and operational threats to the business.

Aligned with the 'three lines model', our Risk Management function plays a vital role in coordinating, overseeing, and guiding risk and control activities across the business. This integrated approach spans all material risks, with clear ownership and accountability embedded throughout the organisation.

Risk is a strategic enabler, integral to confident decision-making, agile planning, and effective fiscal management. With ownership embedded in the first line, our teams are equipped to assess and respond to risks in real time, strengthening performance and resilience.

Our Risk Business Partners are key to this model, collaborating closely with operational teams to embed risk thinking into everyday activity. They provide support, constructive challenge, and strategic insight, helping the business navigate uncertainty, enhance controls, and align risk management with strategic objectives. This partnership ensures risk is not only managed but actively contributes to business success.

We have embedded a mature enterprise risk management (ERM) model, which is overseen by the Risk Management Committee (RMC), that provides a holistic view of risk across the organisation. This business-wide lens enables us to assess interconnected risks, prioritise mitigation efforts, and ensure alignment with strategic goals. Our ERM framework supports informed decision-making at all levels, helping us anticipate challenges, protect value, and seize opportunities with confidence.

We continuously evolve our risk framework to stay aligned with our strategy and operating environment. This includes regular reviews of risks and controls, proactive updates to risk registers, and early identification of emerging risks that could impact our goals.

In support of our 'Lean into green' strategy, we have strengthened risk oversight across transformation and strategic change initiatives. Risk and control remain front and centre as we navigate the EV transition, with transformation recognised as a principal risk.

Our mature, forward-looking risk culture empowers innovation while safeguarding performance and delivering strategic outcomes.

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

1st line Primary risk management

- Controls designed into processes and procedures
- Risk assessments and control action plans
- Project risk identification and management processes

2nd line Expertise, support, monitoring and challenge

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

3rd line Independent and objective assurance

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

Risk report continued

Key: Low · Medium · High · Very high — Increasing · Stable · Decreasing

Principal risks

Principal risk	Risk status	Risk description	Potential impact	Mitigation
Affordability and availability Net impact: High Net likelihood: Medium Risk status: Increasing	Increasing – reflecting continued cost pressures and constrained supply as manufacturers respond to the ZEV mandate and wider market conditions. **Link to strategy:** Keep delivering brilliantly for our customers Lean into green Finding new and exciting products for our customers	Ongoing pressure on vehicle pricing and availability may limit the Scheme's ability to offer a broad range of competitively priced options that meet customer needs.	Reduced affordability or choice could impact customer retention, weaken the Scheme proposition, and increase financial and reputational pressures on the business.	• Diverse manufacturer portfolio • Ongoing monitoring of financial inputs and potential impacts to pricing • Investment available to support pricing • Economic and political monitoring to determine potential impacts on new car market e.g. EV transition
Business continuity Net impact: High Net likelihood: Medium Risk status: Stable	Stable – supported by established resilience arrangements, though exposure to major operational disruption remains. **Link to strategy:** Keep delivering brilliantly for our customers	The business relies on resilient people, systems and suppliers. Significant disruption from extreme weather, system outages or other incidents could impair service delivery.	A major continuity event could interrupt customer services, create financial and operational strain, and result in reputational damage.	• Well-established continuity response plans including homeworking, system resilience and disaster recovery • Dedicated cross-functional Business Continuity Committee in place (overseen by the Risk Management Committee) • 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 • Business Impact Analysis (BIA) process identifies critical business processes and contingencies where applicable • All operational sites have dedicated business continuity plans that are regularly reviewed and tested
Cyber risk and information security Net impact: High Net likelihood: Medium Risk status: Increasing	Increasing – driven by persistent and growing cyber threats impacting organisations across the UK, particularly ransomware attacks, intensified by geopolitical tensions and the use of cyber tactics for disruption. **Link to strategy:** Keep delivering brilliantly for our customers	Persistent and evolving cyber threats, including ransomware and state-sponsored attacks, could disrupt business operations, compromise sensitive data, and damage customer trust.	A cyber attack could severely disrupt operations, compromise data, damage customer trust, and result in financial and reputational losses.	• 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 and Chief Information Security Officer • Ongoing employee awareness programme, including regular phishing simulation exercises for all employees • Third-party cyber monitoring processes and procedures • Cyber Insurance and Incident Response plan in place and regularly reviewed • Periodic cyber response exercises performed with the Executive Committee and operational teams as part of ongoing assurance activity

Risk report continued

Key: Low · Medium · High · Very high · ▲ Increasing · ◀▶ Stable · ▼ Decreasing

Principal risk	Risk status	Risk description	Potential impact	Mitigation
Insurance risk Net impact: High Net likelihood: Medium Risk status: ▲	Increasing – driven by challenging market conditions, rising claims frequency, changes to driver risk profile, and fleet growth. **Link to strategy:** Keep delivering brilliantly for our customers	Fixing insurance costs for customers over multi-year lease terms increases exposure to market volatility in claims frequency, pricing, and risk profile.	Insurance risk may impact both financial and operational performance, increasing costs, reducing profitability and reserves, and disrupting customer service delivery.	• An established reinsurance captive, managed through a wholly owned subsidiary Motability Operations Re-Insurance Limited (MORL), continues to deliver a robust and cost-effective insurance solution • Embedded control improvements through the move to Direct Line Group • Conservatively placed reinsurance programme effectively limits the Group's net risk • Risk capital in place to cover net risk • Access to extensive Insurance expertise • Diversification of supply across highly rated reinsurers • Highly skilled insurance team in place to oversee and deliver on agreed Insurance Strategy • Implementing Insurance Strategy to deliver active management of claims risk, for example in the area of younger drivers and multi-claimants, and use of telematics
Residual values Net impact: High Net likelihood: Medium Risk status: ▲	Increasing – primarily due to volatility in the used car market, particularly for EVs where the outlook remains challenging. **Link to strategy:** Keep delivering brilliantly for our customers	Exposure to changes in used vehicle market values, especially for EVs, could materially affect profitability, reserves, and pricing.	Deteriorating residual values could lead to volatility in profitability, reserves, and pricing, with knock-on effects on affordability, vehicle availability, and customer choice.	• Detailed in-house residual value setting and forecasting process • Risk capital management for asset risk using Economic Capital principles • Market-leading remarketing approach • Real-time monitoring of performance and ability to manage intra-day pricing to ensure that market changes are responded to rapidly
Treasury risk Net impact: High Net likelihood: Medium Risk status: ◀▶	Stable. **Link to strategy:** Keep delivering brilliantly for our customers	Exposure to interest and exchange rate movements, liquidity constraints, or counterparty creditworthiness could affect funding availability and increase financing costs. Looking ahead, Motability Operations will likely need to finance scheduled maturities and may look to secure additional funding; financing requirements and timings remain subject to business requirements. Challenges may occur in ensuring investor appetite remains strong such that funding can be sourced at competitive prices and in sufficient quantities. Uncertainty around the UK economy and political instability could also impact the UK's sovereign credit rating, which would impact Motability Operations.	Volatility in funding costs could lead to inconsistent or elevated lease pricing and restricted access to future funding required to finance the fleet.	• Motability Operations has established a diverse and well 'laddered' funding profile that is designed to mitigate financing and refinancing risk whilst delivering a stable funding cost • 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

Risk report continued

Key: Low · Medium · High · Very high · ▲ Increasing · ◀▶ Stable · ▼ Decreasing

Principal risk	Risk status	Risk description	Potential impact	Mitigation
Legislation / policy risk Net impact: High Net likelihood: Medium Risk status: ▲	Increasing – driven by uncertainties relating to welfare reform, the ZEV mandate, transition to EV, and broader geopolitical developments. **Link to strategy:** Keep delivering brilliantly for our customers Lean into green	Changes in government policy or legislation could materially impact the operation, funding, or eligibility criteria of the Scheme, potentially affecting customer access, compliance requirements, or financial sustainability.	Legislative or policy changes, including welfare reform or adjustments to the ZEV mandate, could significantly affect Scheme operations, leading to adverse impacts on customer outcomes, compliance, financial performance, and delivery of strategic objectives.	• The Executive Committee provides oversight to any key political, government or potential legislation changes • Governance oversight from the Foundation, who interface with the Government • Proactive engagement with political figures, to drive understanding and awareness of Scheme benefits • Established relationships with Finance and Leasing Association (FLA) and British Vehicle Rental and Leasing Association for changes within the leasing industry
Climate risk Net impact: Medium Net likelihood: Low Risk status: ◀▶	Stable – reflecting ongoing transition to EVs and increasing exposure to severe weather events. **Link to strategy:** Keep delivering brilliantly for our customers Lean into green	Climate change and associated regulation may affect customer suitability for EVs, supplier stability, and operational resilience, while physical climate impacts may disrupt activity.	Climate-related disruption or reduced EV suitability could influence customer demand, increase costs and volatility, and lead to longer-term financial and reputational impacts on the Scheme. This would impact carbon reduction plans and Motability Operation's ability to meet its Science-Based Targets.	• Our strategy process has identified key areas of focus, including the transition to EVs; that will underpin the Motability Scheme proposition over the long term • We have expanded our network of charging partners and support the installation of charging points for our customers • Motability Operations obtains Carbon Disclosure Project (CDP) scores annually. Engagement with other ratings agencies (Sustainable Fitch, MSCI and Sustainalytics) to ensure reporting and ratings are accurate • Motability Operations ensures that a range of lower-emission, higher-MPG vehicle choices are available (including electric vehicles) with KPIs in place • Continued monitoring of environmental legislation, regulation and reporting requirements by relevant business areas • Science-based targets formalised to 2032 and corporate strategy defined to achieve 30% of fleet as EVs by 2026, with 80% of the fleet to be EV by 2032 • Motability Operations produces an annual climate-related financial disclosure. This has been enhanced by completing a Double Materiality Assessment and Climate Scenario Analysis to ensure climate related risks are identified, quantified and mitigated
People Net impact: Medium Net likelihood: Medium Risk status: ◀▶	Stable. **Link to strategy:** Keep delivering brilliantly for our customers	Inability to attract, develop, or retain skilled employees could disrupt operations and limit delivery of strategic objectives.	People-related risks could lead to operational disruption, project delays, and reduced capacity to deliver strategic objectives.	• Motability Operations has a hybrid working approach, offering employees greater work-life flexibility • Remuneration Committee oversees pay and benefits packages with market benchmarking • Diversity and inclusion and gender pay gap reviewed with defined action plans • Equity, Diversity and Inclusion (EDI) Committee established, reporting to the Executive Committee • Established EDI networks that ensure Motability Operations builds an inclusive culture for all employees • Training and support delivered for employees in supporting mental health and wellbeing • Career Pathways/Priority skills development and gap analysis in place

Risk report continued

Key: Low, Medium, High, Very high; ▲ Increasing, ◀▶ Stable, ▼ Decreasing

Principal risk	Risk status	Risk description	Potential impact	Mitigation
Supplier failure Net impact: Medium Net likelihood: Low Risk status: ◀▶	Stable. **Link to strategy:** Keep delivering brilliantly for our customers	Failure or underperformance of key suppliers could disrupt customer service, increase costs, and affect business continuity.	Compromised customer service and the financial impact of securing alternative suppliers, alongside manufacturer failure risks such as limited parts or warranties, could significantly disrupt operations and customer experience.	• Appropriate due diligence processes are in place to ensure that we continue to engage with partners and suppliers on a commercial and sustainable basis • Strong supplier relationships and communication • Active monitoring of performance, credit ratings and market announcements • Diversification of supply • Diversified portfolio • Procurement team 'offering' business-wide support and third-party risk management process to provide risk assessment of key suppliers
Transformation risk Net impact: Medium Net likelihood: Low Risk status: ◀▶	Stable. **Link to strategy:** Keep delivering brilliantly for our customers Lean into green Finding new and exciting products for our customers	Failure to manage the transition to electric vehicles effectively could reduce Scheme sustainability and limit customer access to affordable mobility solutions.	Inability to deliver the EV transformation could result in customer dissatisfaction, defection, or loss of future opportunities.	• Clearly defined strategic initiatives agreed at Board level • The Executive Committee provides oversight of annual planning and strategic roadmaps • Executive Director with responsibility for Electric transformation • Regular horizon scanning to determine emerging external risks that could impact transformation • Strategic projects are managed against existing regulation and concessions to ensure compliance • Regular engagement with organisations and key stakeholders e.g. Motability Foundation, investors, manufacturers • Dedicated team responsible for developing innovation activity to support customers with EV transition
Operational process and controls Net impact: Low Net likelihood: Medium Risk status: ◀▶	Stable. **Link to strategy:** Keep delivering brilliantly for our customers	Ineffective or inefficient operational processes and controls could impair service quality, financial performance, and asset protection.	Inefficient operations could degrade customer service, increase costs, and heighten the risk of not achieving financial objectives.	• Established risk management approach in place to document, monitor and measure the operational processes and controls • 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 • Regular internal and external audits of Motability Operation's control environment

Risk report 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. The overarching objective is 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 Motability 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 Motability Scheme would have on our customer base.

We undertake an annual review of our EC 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.

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've maintained a consistent and transparent approach to capital management and have 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 EC allows for diversification across all risks, leading to a 27% reduction in our risk assessment for 2025. This is in addition to the diversification impacts within the different risks themselves. Post-diversification, the EC requirement, as assessed through modelling, stands at £3.7bn.

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 £3.9bn) was considered by the Executive Committee to be sufficient and appropriate, given the current and emerging potential risks faced by the Motability Scheme.

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

Risk report continued

Forecasting residual values

An estimated residual fleet value of £13.5bn means that even a 1% error in our forecast equates to a £135m financial exposure for Motability Operations. 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 pandemic 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 'Motability Operations' forecasting approach uses sophisticated techniques, is robust, fit-for-purpose and aligns to forecasting best practice'. While 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 and Cambridge Econometrics validated.

The pandemic has increased uncertainty to the automotive market and in 2024 we added additional variables to our modelling to address the significant supply-side disruption and enhance model stability and accuracy. Again, Cambridge Econometrics has validated our approach and stated they found 'the econometric treatment to be generally robust and justified, supporting Motability Operations' ongoing efforts to stabilise the model amidst volatile economic conditions and unprecedented events', and 'the various forms of evidence across multiple metrics are sufficiently coherent and we concur with the developers' conclusion that the latest updates and developments have improved model accuracy and stability'.

Risk Appetite Framework

The challenges the business faces have become more complex. The risk landscape is changing, fuelled primarily by the rapid pace of change, globalisation, automotive industry challenges and rapid Scheme growth. The Business Risk team continues to focus on the wider landscape of emerging risks and forward-thinking analysis of external threats and opportunities. The use of formalised risk reporting and a dynamic risk framework remains central.

This framework builds on our strong risk management culture and aligns our strategic planning and risk management activities.

Viability statement

While the Company is not required to comply with the 2024 UK Corporate Governance Code, the Executive Committee 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 Committee has assessed Motability Operations Group plc's viability over a three-year period to September 2028.

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
- 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, as detailed in the Risk report on pages 34 to 40.

In making its assessment, the Executive Committee 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 various economic impacts.

As detailed in the Chief Finance Officer's review on pages 15 to 17, the Group's closing financial position reflects capital reserves of £3.9bn, 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 Committee with appropriate confidence in making this viability statement.

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

- The Group will be required to repay four bonds in the next three years, in January 2026 (€600m), July 2026 (£300m), February 2027 (£300m) and July 2028 (€500m)
- The Executive Committee assessed that the Group has access to sufficient liquidity to make these repayments 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

While 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 Committee is satisfied that lenders are not only provided with robust protection through the relevant documentation, but 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 Committee has made the following key assumptions:

- Customers will continue to be treated fairly and enjoy our all-inclusive leasing package, including excellent support and service throughout the UK
- Motability Operations will continue to provide a 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 Motability Scheme from economic shock, while 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 levels 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 Committee 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.

Section 172

Section 172 Companies Act 2006

Compliance with Section 172 Companies Act 2006

This S172 statement outlines how the Board has fulfilled its duties under Section 172(1) of the Companies Act 2006 by promoting the long-term success of the Group for the benefit of its members as a whole, while considering the interests of employees, suppliers, customers, and other stakeholders in key decisions during the year.

Approved by the Board of Directors on 17 December 2025 and signed on its behalf by:

Rt. Hon. Sir Stephen O'Brien KBE
Chairman

Andrew Miller
Chief Executive Officer

This section sets out where key disclosures in respect of each of the S172 matters can be found.

S172(1)(A) 'The likely consequences of any decisions in the long term'

- CEO statement (pages 10 to 12)
- Measuring our success (pages 20 to 23)
- Impact and sustainability (pages 28 to 31)
- Board engagement in action (page 50)

S172(1)(B) 'The interests of the Company's employees'

- Our people (page 25)
- Governance (pages 44 to 64)
- Remuneration report (pages 57 to 64)
- Statutory and non-financial information (page 65)

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

- Our stakeholders (pages 44 to 46)
- Impact and sustainability (pages 28 to 31)
- Statutory and non-financial information (page 65)

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

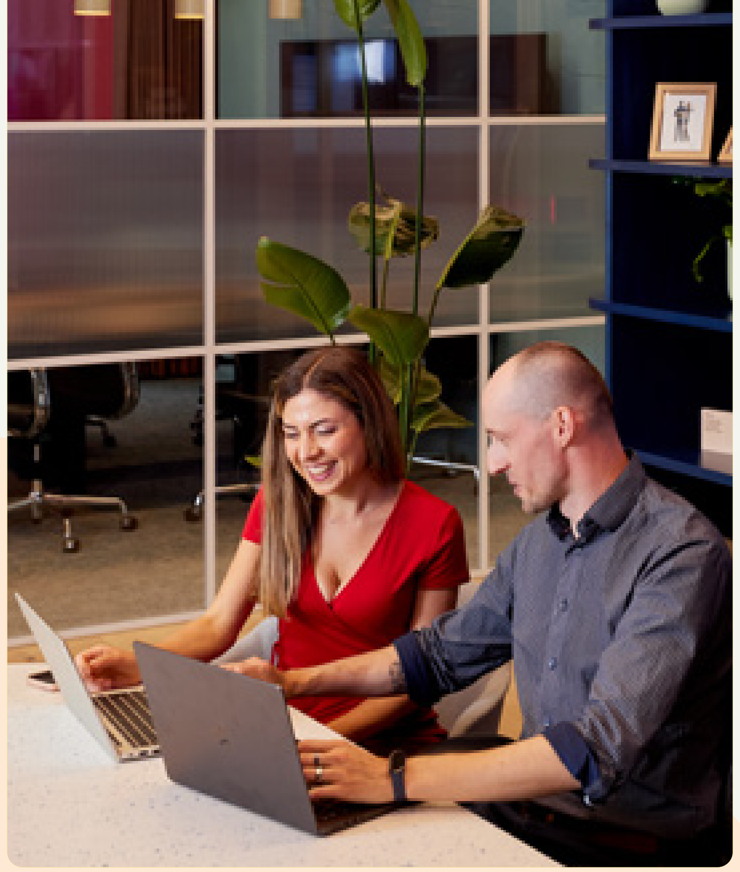
- Our people (page 25)
- Impact and sustainability (pages 28 to 31)
- Statutory and non-financial information (page 65)

S172(1)(E) 'The desirability of the Company maintaining a reputation for high standards of business conduct'

- Governance (pages 44 to 64)
- Statutory and non-financial information (page 65)
- Risk management (pages 34 to 40)

S172(1)(F) 'The need to act fairly as between members of the Company'

- Our stakeholders (page 44 to 46)
- Directors' report (page 66)
- Governance (pages 44 to 64)



Governance

Governance and stakeholders

Index

Our stakeholders

Governance approach

Effective corporate governance ensures responsibility, accountability, fairness, and transparency in a company's relationship with its stakeholders, driving sustainable growth and trust.

The following pages set out our approach to governance and how the Board and its Committees operated during 2025.

The Board is responsible for promoting the long-term success of the Company and fulfilling responsibilities to all our stakeholders. To deliver against this the Board sets the Group's strategic aims and risk appetite and upholds the Company's purpose, vision, mission and values. We believe that our established governance framework provides the structure and clarity needed for effective decision-making.

The way we operate also relies on having the right balance of skill, knowledge and experience. The Board remains committed to the highest standards of integrity and transparency in both its own activities and those of the wider business. As part of our process for self-reflection and improvement, we undertook an assessment of effectiveness and conducted an internal Board evaluation.

Our stakeholders

The Board recognises that stakeholders have diverse interests and that these interests need to be heard. Engaging with our stakeholders is essential to understand what matters most to them and the likely impact of any key decisions. The Board receives updates from the Executive Directors which detail any substantial engagement with our stakeholders. The Board has met regularly to consider the long-term strategic direction of the Group. As part of these strategic discussions, the Board considered the industry and market and the potential impact to stakeholders.

Governance continued

Stakeholders	What matters to them	How we listen	Actions we've taken
Customers	• Access to safe, affordable mobility solutions as part of our worry-free package	• 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	• We regularly communicate with our customers through a range of media including customer newsletters, our social media channels, the Scheme website and bespoke customer letters • We published an EV Transition Tracker highlighting accessibility challenges and pushing for industry and government to deliver solutions • With one of the largest EV fleets in the UK, we are at the forefront of the charging market and have supported over 105,000 customers to make the switch. We also have more than 9,000 EVs in the pipeline • We have invested circa £77m into the WAV Scheme to support its sustainability
Our people	• We recognise the importance of engaging employees to enable them to make the fullest contribution to the business. We know the success of our business depends on attracting, retaining and motivating employees More information can be found in the People section on page 25	• Every year we measure our employee engagement and satisfaction through our annual employee survey • We continually refresh the way we engage with our employees, from webinars to in-person Company roadshows, all the time providing an easy way to engage at all levels	• We have invested in learning and development via our Careers Framework, Leading Change toolkit, Careers Pathways and Skills Builder together with our early careers support programme • Continued to invest in recognition and reward through Bravo our peer recognition scheme and the MOscars
Suppliers	• Our Scheme partners are essential to the delivery of our all-inclusive leasing package and to 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	• Our twice-yearly Customer Satisfaction Index (CSI) survey allows us to gain feedback from customers on supplier experience, and we also hold regular performance reviews and tenders • 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 suppliers	• 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 • We retendered several of our Scheme partner service arrangements to deliver continued customer service excellence and value for money • The Company publishes its payment reporting data bi-annually. 99.15% of all invoices were paid within its standard payment terms of 30 days
Manufacturers and dealers	• We provide a significant route to market for manufacturers and work closely with them to ensure a wider range of models, including an increasing number of EVs on the Scheme. As retail models change in line with mobility manufacturer trends and customer behaviour we are working with manufacturers to ensure we maintain choice and affordability for our customers	• We have developed strategic relationships with mainstream car manufacturers and support specialist training across the UK dealership network • 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 the challenges faced	• While we take responsibility for the overall customer experience, this includes providing bespoke EV training, upskilling over 14,000 Motability Scheme Sales Specialists to guide customers through choosing an EV, arranging adaptations and explaining charging options. • We have continued to provide operational and disability confidence training for dealer Motability specialists, through our online platform. As part of our bespoke EV training module we delivered training to 14,500 Motability Specialists • Our dealerships provide the 'shop window' for the Motability Scheme, and are incentivised to provide all-encompassing worry-free service to our customers: as a result of this consistently high delivery, the dealership network has been rewarded through Motability Dealer Partnership Programme payments

Governance continued

Stakeholders	What matters to them	How we listen	Actions we've taken
Investors	• 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 environment, social and governance (ESG) credentials. Whilst risk and return remain key considerations, our social purpose and environment impact are of increasing focus	• We have an established programme of engagement with our investors, including sharing our Annual and Half Year Report with them, providing visibility of Company performance • We host global investor calls twice a year following the publication of these reports and invite an open dialogue and Q&A • We believe that transparency is key and as part of our rolling refinancing programme, the Executive Committee makes itself available for a comprehensive investor roadshow prior to any new bond issuance	• Investor feedback to support our thinking towards ESG. We issued a single triple-tranche issuance under the Group's Social Bond Framework • Our fourth Annual Report on Eligible Social Projects will be published in January 2026, 12 months after the Group's January 2025 bond issuance
Motability Foundation	• The Motability Foundation is responsible for overseeing the Motability Scheme. Their vision is building a future where all disabled people have transport options to make the journey they choose **See page 32 for details**	• We continue to work closely and collaborate with the Motability Foundation on how we run the Scheme and our innovation initiatives • We engage with them through various channels including regular working groups, the Scheme Oversight Committee and at their Board of Governors' meeting • We work with the Foundation and see value in their input, feedback and constructive challenge • We work closely with our colleagues at the Foundation to champion the accessibility requirements of electric vehicles for disabled customers	• The Scheme agreement between the parties was modernised this year to provide greater clarity about how the Scheme is delivered • Our performance is tracked through a range of contractual KPIs developed in partnership with the Foundation. These KPIs ensure activity across the business is aligned to our strategic objectives and the direction set in partnership with the Foundation
Disability organisations	• 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	• 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 • We attend various AGMs and events, including the Disability Benefits Consortium. The 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	• Over the past 12 months we have engaged with several healthcare professional and disability-led organisations, including primary healthcare networks, the Royal College of Occupational Therapy and the Chartered Society of Physiotherapy to improve the reach and awareness of the Scheme. Identifying barriers for potential customers enables us to shape our proposition and create a Scheme that is accessible to all • As well as identifying barriers among the eligible base we are creating wider awareness among the healthcare professionals who are in direct contact with the potentially unaware. We educate them about the Scheme, to enable them to advise and signpost their patients
Local communities	• Our focus on empowerment and support of under-represented groups extends to wider society, including increasing diversity of our workforce and supporting 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 Bristol, Coalville, Edinburgh and London, we want to make a positive social and economic impact for our local communities and wider society	• We engage with local charities, education bodies and businesses to understand how we can create a positive impact • Employee feedback and input is important in shaping how we support local communities	• For every vehicle sold via our online sales platform mlfdirect, we have donated £1 to the not for profit organisation Ben – Motor and Allied Trades Benevolent Fund (Ben) an organisation that partners with the United Kingdom's automotive industry to provide support for life to people in that industry and their family dependants • Motability Operations employees completed over 900 hours of volunteering supporting local charities • End of life IT equipment was donated to the Little Lives Charity in London • Ongoing employee volunteering at the Bristol allotment, supplying produce to local homeless charities • Employees participated in Pride events in Bristol and Edinburgh during 2025, support inclusion and diversity • Numerous community and social partnerships were strengthened including fundraising for Edinburgh Children's Hospital Charity and support from Coalville employees for Leicestershire Carers

Our corporate and governance structure

The Board's responsibilities

Matters reserved for the Board include:

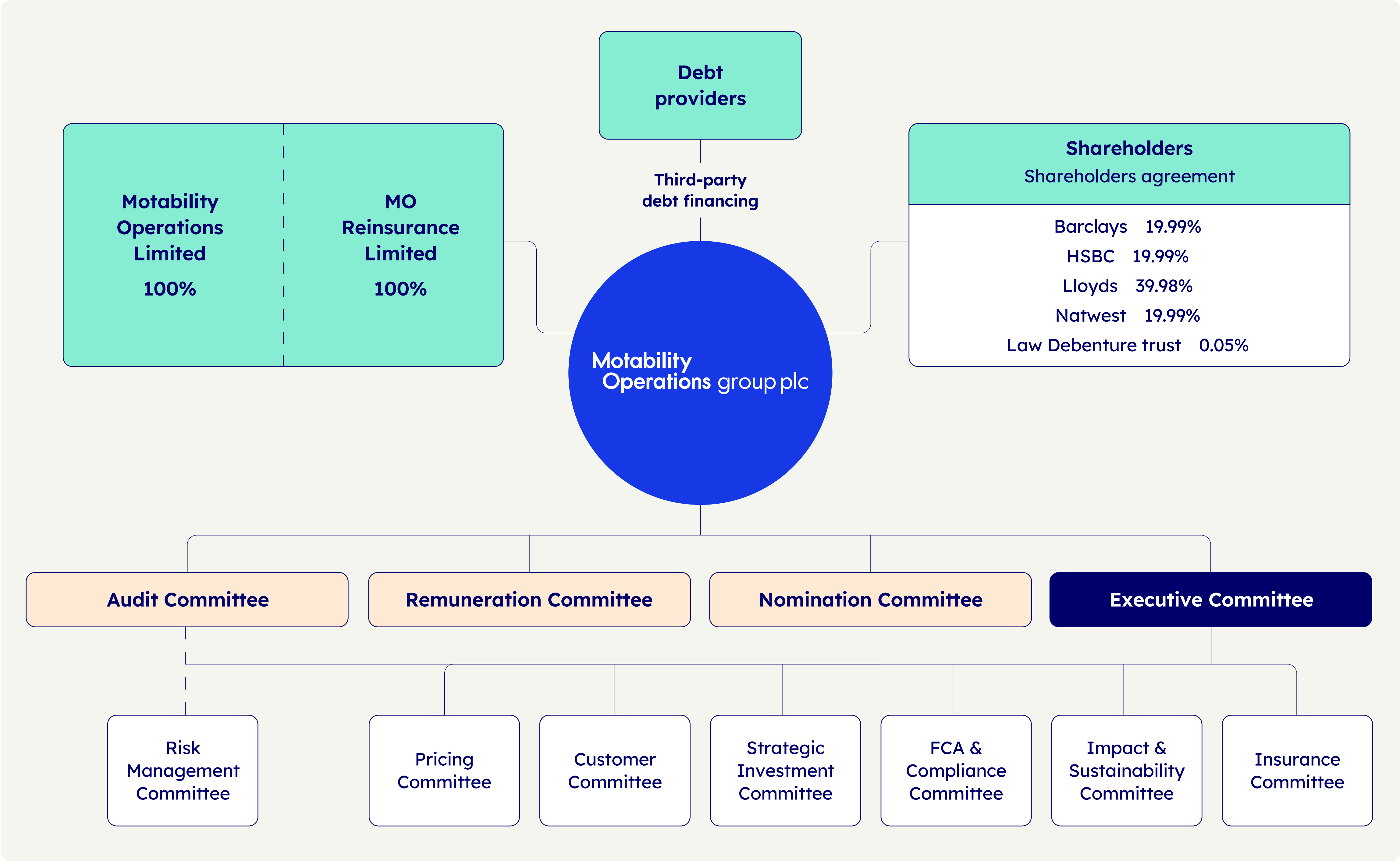
- Promoting the success of the business
- Approval of strategy proposed by the Executive Committee
- Approval of financial reporting and controls
- Ensuring maintenance of a sound system of internal control and risk management
- Approval of major capital projects
- Ensuring adequate succession planning 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

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.



Our Board

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

Chairman

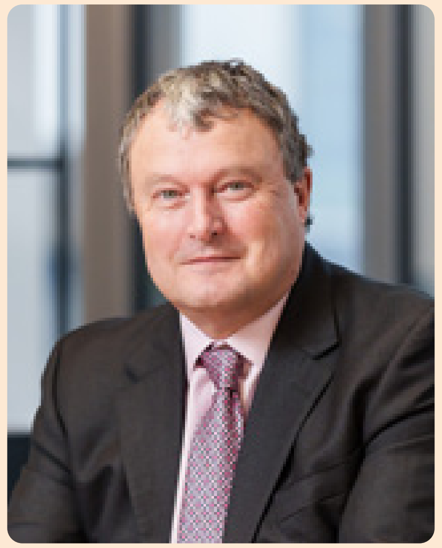
Chairman

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 January 2019.

Chair and member of the Nomination Committee.

Executive Directors



CEO

Andrew Miller

Chief Executive Officer
Andrew was appointed as Chief Executive of Motability Operations Group plc on 1 January 2021.

CFO

Matthew Hamilton-James

Chief Finance Officer
Matthew was appointed as Chief Finance Officer of Motability Operations Group plc on 1 October 2016.

Non-Executive Directors

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, appointed 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 1 February 2018.

Member of the Audit Committee.

Our Board

Find out more about our Board at MO.co.uk

James Holian

Non-Executive Director
James was appointed as a Non-Executive Director of Motability Operations Group plc on 1 July 2024 (Peter Lord served as alternate from 1 October to 31 December 2024 when he resigned). (alternate Andrew Kilheeney, appointed 27 January 2025).

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: Amy Bone appointed 4 June 2025).

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.

Designated 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 Chair of the Remuneration Committee from 10 September 2025.

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 until 1 March 2024 and member of the Audit Committee and the Nomination Committee.

Kelly-Jane Botha

General Counsel & Group Company Secretary
Kelly-Jane was appointed as Company Secretary of Motability Operations Group plc on 1 January 2025.

April Talintyre

Independent Non-Executive Director
April was appointed as an Indpendnent Non-Executive Director of Motability Operations Group plc on 1 December 2025 (post end of financial year).

Member of Audit Committee.

Board engagement in action

December 2024

- Deep dive session on Insurance to understand performance and the targeted initiatives to align the interests of the customer with the costs of the Scheme
- Approved the Annual Report and Accounts
- Considered and approved the terms of the revised Scheme Agreement with the Foundation
- Considered and approved the terms of the Preference Share Buy Back agreement
- Approved the appointment of Kelly-Jane Botha as Group Company Secretary
- Approved the proposed changes to the terms of reference of the Board governance committees
- Approved the succession and recruitment proposal in relation to the Non-Executive Directors and the succession plans for the Executive Committee

March 2025

- Held the AGM of the shareholders to receive the Annual Report and Accounts and approved KPMG LLP as auditors of the Group
- Reviewed and approved the Whistleblowing Policy (Audit Committee)
- Decision to support the appointment of the RAC to provide roadside assistance and incident management services
- Received an update on the political landscape and government relations
- Received an update on the Scottish stakeholder and engagement strategy

May 2025

- Approved the interim report and accounts
- Considered and approved the euro medium-term note (EMTN) Programme refresh and documentation

June 2025

- Deep dive session on political context and the potential implications of welfare reform on the Scheme
- Considered and agreed the core assumptions underpinning the company strategy

September 2025

- Approval of the annual operating plan to deliver continued strategic direction
- Consumer Duty Board report (published in July 2025) on behalf of Motability Operations Limited (the regulated subsidiary of the Board) was presented to the Audit Committee
- Received and considered the Spotlight Review on Scheme Protection
- Reviewed and considered affordability and availability as part of the pricing update

Corporate governance report

For the year ended 30 September 2025, under the Companies (Miscellaneous Reporting) Regulations 2018, the Company has applied the Wates Corporate Governance Principles for large private companies.

Principle	How the principle has been applied during the year
1. Purpose and leadership "An effective board develops and promotes the purpose of a company and ensures that its values, strategy and culture align with the purpose"	Our purpose is to deliver smart, sustainable solutions that improve our customers' mobility in a fast-changing world. We want to ensure that no one is left behind in the transport revolution and we ensure innovation considers disability from the very beginning. 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 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 Board has a defined and comprehensive schedule of meetings which allows both a structured approach to key matters for the Board to consider but also allows for agility within the meetings to allow key matters to be discussed as and when they arise. To ensure the best use of the Board's time, all Board meeting agendas are prepared by the Company Secretary in close consultation with the Chair, CEO, CFO and independent executives where appropriate.
2. Board composition "Effective board composition requires an effective chair and a balance of skills, background, expertise and knowledge. The size of the board should be guided by the scale and complexity of the company."	The Board comprises the Chairman, Chief Executive, Chief Finance Officer, four Non-Executive Directors and six Independent Non-Executive Directors. This structure is considered appropriate for the size and complexity of the business. The roles of Chairman and Chief Executive are separate, ensuring a clear balance of responsibilities and effective decision-making. The Independent Non-Executive Chairman leads the Board, setting meeting agendas, promoting open and constructive debate, and ensuring Directors receive accurate and timely information with support from the Company Secretary. The Chief Executive is responsible for the day-to-day management of the business under delegated authority from the Board, supported by the Executive Committee, which the Chief Executive chairs. Non-Executive Directors contribute broad business and commercial expertise, providing constructive challenge and independent judgement in shaping strategy and overseeing performance. The Chairman is satisfied that all Independent Non-Executive Directors remain independent in character and judgement. The Board meets at least four times a year (in December, March, June and September), with each meeting focused on strategy delivery, performance review, and key updates from the Chief Executive and Board Committees, including Audit, Remuneration and Nomination. The Board's responsibilities 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 **Read more about: The Board on pages 48 to 49** **Read more about: The Board engagement in action on page 50**

Principle

3. Directors' responsibilities

"The board and individual directors should have a clear understanding of their accountabilities and responsibilities. The board's policies and procedures should support effective decision making and independent challenge."

How the principle has been applied during the year

To deliver for our customers and stakeholders, we foster a culture of trust, transparency and accountability. This approach ensures the Scheme delivers sustainable solutions that enhance customers' lives now and for generations to come.

Our Board provides clear strategic direction, supported by robust risk management and strong leadership. All Executive Directors have stretching annual objectives, forming the basis for individual performance assessment and reinforcing accountability throughout the organisation.

We maintain comprehensive internal controls, including clearly defined lines of authority, well-established financial planning and reporting processes, and rigorous governance across projects and information security. These systems ensure the accuracy and reliability of our financial reporting.

We comply with the Companies Act 2006, the FCA's Disclosure and Transparency Rules, and the Listing Rules applicable to companies with wholesale debt listed on the London Stock Exchange. Our subsidiary, Motability Operations Limited, also meets the FCA's requirements as a limited permission firm.

We published our second Consumer Board Report, demonstrating our commitment to placing customers and good outcomes at the heart of what we do. Our culture and people remain central to our success, and we continue to invest in attracting, developing, and retaining an engaged and motivated workforce.

Remuneration reflects our culture, complexity, and performance, with regular market reviews to ensure our pay and benefits support the delivery of our objectives.

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 & Company Secretary); Andy Broadfield (MD, Insurance & Electric); Paul Durkan (Chief Technology Officer); Gareth Everson (Strategy and Planning Director); Matthew Hamilton-James (Chief Finance Officer); Claire Ickringill (Chief Asset Risk Officer); Sarah Lewis (Chief People Officer); Damian Oton (Chief Commercial Officer); Lisa Thomas (Chief Marketing Officer); Gavin Thomson (Chief Operating Officer).

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; Pricing; Customer; Strategic Investment; Insurance; Impact & Sustainability and Equality, Diversity & Inclusion) and MO Reinsurance Ltd Board
- Agree internal authority limits and control

The Executive Committee is supported by subordinate Governance Committees and the MO Reinsurance Ltd Board, ensuring regular information flow and oversight. Monthly Executive Committee packs are shared with Non-Executive Directors, and the Committee reports formally to the Board at least four times a year. A standing agenda item allows Directors to raise any queries on these reports, and the performance of Executive Committee members is assessed annually.

The Independent Non-Executive Directors are fully independent, with no material relationships that could compromise their judgement. Specific governance responsibilities are delegated to the Audit, Remuneration, and Nomination Committees, comprising Non-Executive and Independent Non-Executive Directors to ensure effective decision-making, oversight, and independent challenge.

Integrity of information

The Board receives comprehensive and timely information on all key aspects of the business — including financial performance, strategy, operations, risk, opportunities, and health and safety — supported by defined key performance indicators (KPIs).

Financial data is consolidated through the Group's reporting systems and overseen by a qualified Finance function, ensuring accuracy and integrity through continuous training and adherence to regulatory requirements. The Group's financial statements are externally audited by KPMG LLP. Where relevant, Internal Audit will assess the design and operating effectiveness of financial controls as part of its standard audit engagements.

Other operational and strategic information is prepared by relevant internal functions, using established data collection and reporting processes that promote consistency, reliability, and transparency across the organisation.

Read more about: The Governance structure on page 47

Principle	How the principle has been applied during the year
4. Risk and opportunity "A board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value, and establishing oversight for the identification and mitigation of risks."	**Opportunity and Risk** The Board is committed to identifying and pursuing opportunities that support long-term value creation, while maintaining a strong framework for risk management and mitigation. **Opportunity** Each year, the business undertakes a comprehensive review of its strategic plan, setting the direction for delivering smart and sustainable solutions that enhance our customers' mobility in a rapidly changing environment. The refreshed plan is communicated widely across the organisation through senior leadership briefings, employee webinars and team meetings, ensuring all colleagues understand how their individual and collective goals align with the Company's strategic priorities. The Executive team maintains a deep understanding of both the operational landscape and the external environment in which we operate, enabling well-informed and timely decision-making in pursuit of strategic objectives. As one of the UK's largest fleet operators, we recognise the scale of our impact — on the planet, our customers and our people. We continue to advance our environmental, social and governance (ESG) agenda, including our progress towards B Corp certification and the publication of our Impact Report. A statement of our carbon emissions, in compliance with the Streamlined Energy and Carbon Reporting (SECR) requirements, is included on page 29. Motability Operations is also registered with the Carbon Trust, reinforcing our commitment to transparent and responsible environmental management. **Risk** Effective risk management underpins the sustainable success of Motability Operations. We recognise that a sound and dynamic approach to risk is essential to protecting our customers, our reputation and the long-term resilience of the business. Our risk management framework is designed to identify, assess and manage all material risks across the organisation. It combines rigorous oversight with flexibility to respond to emerging risks and changing external conditions. This ensures that potential financial, operational and reputational shocks are mitigated appropriately, supporting the Company's continued stability and performance. **Read more about: Our impact and sustainability journey on page 28** **Read more about: Our risk management framework and risks on page 34**
5. Remuneration "A board should promote executive remuneration structures aligned to the long-term sustainable success of a company."	The Remuneration Committee operates under clearly defined terms of reference and is responsible for making recommendations to the Board on the Group's overall remuneration strategy and recruitment framework. In fulfilling its responsibilities, the Committee is supported by independent external advisers who provide expert guidance on legislative developments, market best practice and remuneration benchmarking. These insights are drawn from both the sector in which the Company operates and other relevant industries to ensure a robust and informed approach. Our remuneration philosophy is designed to offer a competitive package that attracts, motivates and retains individuals with the skills, experience and expertise required to lead a business of the scale and complexity of Motability Operations sustainably. The Committee ensures that remuneration arrangements promote appropriate behaviours, align with the long-term interests of the Company, and do not reward poor performance or failure. In line with our commitment to transparency and good governance, Motability Operations voluntarily publishes a detailed Remuneration Report each year, providing clear disclosure on the remuneration of the Executive and the principles underpinning our approach. **Read more about: Remuneration on pages 57 to 64**
6. Stakeholders "The board should foster effective stakeholder relationships aligned to the company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders and have regard for their views when making decisions."	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. The Board is also committed to ensuring that the Company operates responsibly and ethically across its operations and supply chain. In line with the Modern Slavery Act 2015, the Board annually reviews and approves the Company's Modern Slavery Statement, which outlines the steps taken to prevent modern slavery and human trafficking within the business and its wider supply chain. **Read more about: Our stakeholders and how the Board engages with our stakeholders on page 44**

Audit report

Audit Committee

"Effective risk management continues to be integral to safeguarding the long-term sustainability of Motability Operations and ensuring the continued delivery of the Motability Scheme for our customers."

Committee at a glance

Membership

- Ruth Prior (Chair)
- Christopher Davies (resigned on 18 August 2025)
- Dan Fairclough
- James Holian
- Michael Hordley
- Daniel Meredith Jones
- Peter Pritchard
- Neill Thomas

Roles and responsibilities

The Committee assists the Board in its oversight of the Company's financial reporting, climate-related and non-financial reporting and related controls. The Committee:

- Oversees the integrity of the Company's financial statements by reviewing material financial estimates which have a bearing on the financial statements
- Together with the Risk Committee, monitors the adequacy and effectiveness of the systems and internal controls
- Oversees the operation of the risk management framework, including the risks identified in the corporate risk register
- Oversees and monitors the Company's whistleblowing processes
- Monitors the effectiveness, performance and objectivity of our internal and external auditors

2025 highlights

- Reviewed and recommended for approval the half-year and full-year financial results
- Evaluated the effectiveness of governance in insurance across the Group and its subsidiaries
- Engaged with external auditors to ensure effectiveness, independence and performance, ensuring a robust and high-quality audit process
- Reviewed and approved the adequacy of the personal governance arrangements for senior management
- Evaluated the assurances in relation to the Company's regulatory published content
- Approved the Company's going concern statement
- Reviewed the Whistleblowing and Provision of Non-Audit Services policies and procedures
- Reviewed and recommended for approval the assumptions underpinning the Company's annual operating plan
- Reviewed incidents and near misses to identify root causes, improve operational resilience and focus on lessons learned
- Evaluated the Company's compliance with key legislation and the procedures for ensuring compliance with legal and regulatory requirements
- Reviewed the regular internal audit reports on control effectiveness across the business, including assurance reviews in key areas including supplier management and information security
- Considered and approved the internal audit plan

Detailed report

The Audit Committee comprises two Independent Non-Executive Directors and four shareholder-appointed Non-Executive Directors. The Motability Foundation continues to have observer rights. As Chair, I am a serving Chief Financial Officer. The Executive Directors, other members of senior management, the Head of Internal Audit and the external auditors (KPMG LLP) attend meetings as appropriate.

The Committee's terms of reference, reviewed and approved by the Board in December 2024, delegate 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 auditors
- Monitor the objectivity, independence and effectiveness of the external auditors, 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 Risk Management Committee
- Review key areas of management judgement which may have a material bearing on the financial statements, including the periodic revaluation of residual values, the assessment of the adequacy of insurance reserves in Motability Operations Reinsurance Limited (MORL) and other accounting estimates such as maintenance accruals and end-of-contract payments
- Oversee internal and statutory financial reporting, and recommend to the Board the adoption of the half-year and full-year accounts

Ruth Prior
Chair of the Audit Committee

Audit report continued

The Committee met five times during the year, including an extraordinary meeting in April 2025. Meetings are held in advance of Board meetings at which I report on the Committee's work. Matters considered on a regular basis during the year included:

- The Group's capital and liquidity position, incorporating the evolution and quantification of major risks and their implication for capital requirements, to ensure capital adequacy at all times within the parameters agreed by the Board
- A comprehensive review of the 2024 Annual Report and Accounts, including the introduction of alternative performance measures to provide a more meaningful explanation of underlying financial performance
- The review and approval of the 2025 half-year financial statements and related disclosures, including the going concern assessment and key financial risks
- Review and approval of the 2025 external audit strategy and fee proposal, and ongoing monitoring of audit quality and effectiveness
- Updates from MORL, including reserving, solvency and reinsurance arrangements, and oversight of governance improvements following the appointment of new Isle of Man resident Non-Executive Directors
- Regular review of residual value (RV) and insurance risk exposures, including the impact of the evolving EV market, inflationary pressures and changes in risk mix
- Internal Audit updates on progress against the FY25 plan, results of completed audits, and actions taken in response to the external quality assessment findings
- Updates from the Risk Management Committee on the Group's top ten risks, including changes to the insurance risk profile, customer affordability, and cyber risk resilience
- Review of the Company's whistleblowing arrangements, personal governance framework, and the policy on the provision of non-audit services

The Committee noted that the Group continued to operate within its agreed risk appetite and that controls, governance and assurance processes remained robust and effective. The Committee was satisfied with the performance of both Internal and External Audit during the year and confirmed that the audit process was independent, objective and of high quality.

During the year, the Committee considered a range of significant financial reporting judgements and disclosures, with input from management, Internal Audit and KPMG. The Committee's focus was on areas of material estimation uncertainty and accounting complexity, including residual value assumptions, insurance reserving and the impairment of fleet assets. The Committee was satisfied that the financial statements provide a fair, balanced and understandable representation of the Group's performance, position and prospects.

In 2025, the Financial Reporting Council's (FRC) Corporate Reporting Review team conducted a limited-scope review of the Group's 2024 Annual Report and Accounts, focusing on the Group's judgement that its insurance-related arrangements do not fall within the scope of IFRS 17. Following constructive engagement and further explanation provided by the Group, the FRC has confirmed that the enquiry is now closed. As is standard practice, the FRC will publish the fact that a review was undertaken.

Key judgements in financial reporting	Audit Committee review and conclusions
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.	• The Audit Committee reviewed management's regular revaluation exercises and underlying assumptions, including used-car price trends, EV depreciation rates and the IAS 36 impairment assessments conducted at year-end and half-year • The Audit Committee discussed KPMG's audit and review findings and was satisfied that the assumptions used were appropriate and supported by independent market data
Insurance reserving and MORL performance Insurance reserves are set aside in anticipation of insurance claims where accidents in the Group's cars 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.	• The Audit Committee reviewed quarterly reserving updates, actuarial peer reviews and MORL's solvency position • The Audit Committee also reviewed KPMG's actuarial findings and noted that management's best estimate was within the auditor's acceptable range • The Committee concluded that the reserves were appropriately calculated and adequately disclosed
Impairment of fleet assets and other accounting standards Management's impairment assessments incorporate assumptions about residual values, insurance costs and in-life service costs.	• The Audit Committee reviewed the quarterly impairment calculations and agreed that the methodology and assumptions were reasonable and consistently applied • Other accounting estimates, including maintenance accruals and end-of-contract payments, were reviewed in the context of internal and external audit findings. The Committee was satisfied that the accounting estimates were appropriate and supported by robust analysis

Ruth Prior
Audit Committee Chair

Nomination Committee

"We continually review the composition of the Board. This year we commenced a Board refreshment programme to plan succession through a holistic review of capability, experience and diversity of Independent Non-Executive Directors. This will ensure that the Motability Operations Board continues to have the skills and expertise to meet evolving future needs and challenges."

Committee at a glance

Membership

- Sir Stephen O'Brien (Chair)
- Neill Thomas
- Chris Davies (until 19 August 2025)
- Peter Pritchard (from 10 September 2025)
- Ruth Prior

The Chief Executive and Chief People Officer attend where appropriate. The Head of People Experience acts as secretary to the Committee.

Roles and responsibilities

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
- 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 on the basis of 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.

2025 highlights

During the year, in fulfilling its range of responsibilities, specific matters covered by the Nomination Committee were:

- The extension to the term of Senior Independent Director Neill Thomas until September 2026
- The extension to the term of Chair of Audit Committee, Ruth Prior until September 2027
- To propose the appointment of Chair of Remuneration Committee, Peter Pritchard
- To propose that Peter Pritchard join as a member of the Nomination Committee
- Commencement of a Board refreshment programme, to review succession and plan the future recruitment of new Independent Non-Executive Directors in readiness to replace those who will be completing their final terms in the near future
- To propose the appointment of Kelly-Jane Botha, General Counsel as Company Secretary
- To review proposals to amend the executive director membership of the MORL Board in order that it better aligns with executive responsibilities
- Succession plans for Executives were reviewed and the Committee was satisfied that these were appropriate and continue to meet business needs
- A review of the terms of reference of the Committee

Stephen O'Brien

Rt. Hon. Sir Stephen O'Brien KBE
Chairman

Rt. Hon. Sir Stephen O'Brien KBE
Chair of the Nomination Committee

Remuneration report

Letter from the Committee Chair

"The Committee remains committed to a Remuneration Policy that supports long-term sustainability, delivers value for customers, and adapts to a fast-changing environment."

Committee at a glance

Membership

- Chris Davies (Chair until 19 August 2025)
- Peter Pritchard (Member and Chair from 10 September 2025)
- Sir Stephen O'Brien
- Daniel Meredith Jones
- Ruth Prior
- Simon Minty
- Alison Hastings

Remuneration philosophy

Our approach incentivises performance and delivery of the short- and long-term strategy as well as our core values and behaviours, ensuring we maintain a strong customer ethos at the heart of our business culture.

Roles and responsibilities

- Define the Remuneration Policy, ensuring we attract and retain the skills and experience required to run the company
- Approve remuneration for the Executive Committee and the Non-Executive Chair
- Review Executive performance criteria and incentives to ensure they drive customer-focused outcomes while considering risk. To ensure this integration, the Chair of the Risk Committee is a member of the Remuneration Committee
- Approve annual remuneration increases and oversee benefits and remuneration-related frameworks for the wider workforce
- Review pay gaps across the Executive and wider workforce
- Ensure all decisions taken are in line with the Remuneration policy

2025 highlights

The Committee met five times during the year to:

- Set and review performance against Executive performance bonus objectives, including criteria specifically related to supporting customers and maintaining a sustainable business through the transition to electric vehicles (EV). This also includes reviewing and setting criteria for deferred bonus payments
- Review and approve remuneration for executives, with reference to external market data
- Review the pay gap report and the plans to address diversity pay gaps
- Review the Remuneration Policy and Committee Terms of Reference to ensure they remain fit for purpose
- Review the Chair's fees

2026 priorities

- Review the Remuneration Policy, ensuring it remains fit for purpose in an increasingly dynamic environment
- Review performance metrics and targets relating to the business strategy, ensuring they continue to incentivise customer-centric outcomes and the long-term sustainability of the business
- Review the deferred bonus performance criteria to ensure they remain fit for purpose

I am pleased to share the Directors' Remuneration Report for the year ending September 2025. This outlines how the Executive Remuneration Policy has been implemented during 2025 and looks ahead to how we will use remuneration to drive sustainable transformation for our customers in 2026.

Peter Pritchard
Chair of Remuneration Committee

Business context for 2025

In 2025, we continued to navigate significant operational and external challenges – including a highly dynamic environment shaped by rapid transformation in the automotive sector, inflationary cost pressures, and volatility in both second-hand vehicle values and insurance costs. Against this backdrop of wider industry changes, the Remuneration Committee and Board have continued to focus on managing the business in a way that continues to deliver value for our customers in the long term, supported by strong governance.

In light of the evolving environment, the Committee has reviewed bonus measures to ensure continued alignment with emerging challenges and opportunities. The Committee remains committed to a Remuneration Policy that underpins the long-term sustainability of the Scheme and delivers value for our customers, while maintaining the agility needed to respond effectively to the changing industry.

The Committee acknowledges the momentum behind the transition to electric vehicles, driven by both market progress and the UK Government's Zero Emission Vehicle (ZEV) mandate, which sets ambitious targets for 2030 and 2035 (80% of new cars sold in Great Britain must be zero emission by 2030, rising to 100% by 2035[1]). To align with this direction, electric vehicle (EV) transition goals have been embedded within the executive bonus framework, ensuring continued focus and accountability as we support this transformation.

Including the EV transition as a distinct bonus pillar aims to support our customers throughout this change, prioritising the suitability and accessibility of vehicles tailored to those using the Scheme. Our intent is to follow market and regulatory developments at a pace that serves the interests of people with disabilities, ensuring progress is made at the right pace rather than advancing ahead of broader industry trends. By maintaining this measured approach, we can adapt our strategy transparently should the landscape change, while retaining our overarching aims of independence, choice and affordability.

Keeping this in mind, the Committee continues to set executive remuneration in relation to market conditions and in line with the organisation's strategic objectives, prioritising both long-term sustainability and bottom-line outcomes for customers with disabilities.

Linking reward to strategic and societal outcomes

The annual bonus framework for Executives is designed to ensure the Scheme strikes the right balance between operational success, delivery of the long-term strategy and individual performance. In 2025, the Remuneration Committee undertook a restructuring of variable pay to ensure it drives positive outcomes for disabled people in the EV transformation agenda. In particular, a dedicated portion of the annual bonus (50% of salary for the CEO; 25% for the CFO) is now contingent on the delivery of the EV transition. This element of the bonus is deferred in its entirety for three years. The Committee retains discretion over the eventual release or adjustment of this deferred element, ensuring that the reward remains aligned with the long-term health of the business.

The remainder of the annual bonus will continue to be based on the CEO's and CFO's shared objectives relating to stretching corporate targets linked to the overall health of the business (50% of salary) and objectives that reflect each individual's assigned goals in the year (50% of salary).

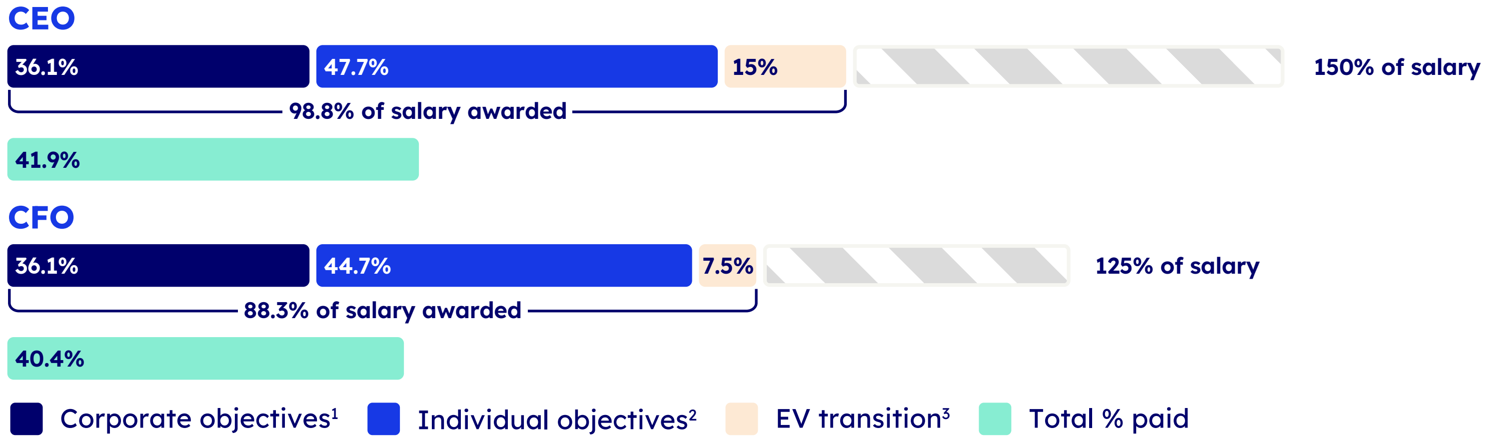
The Committee recognises the Scheme's ongoing sustainability risk due to market fluctuations and public welfare policy volatility, especially the potential for future changes to the welfare system that is not within our control but could affect our funding model. Throughout 2025, executive reward has remained closely tied to capital strength, customer satisfaction, and threshold measures aimed at protecting customer outcomes.

2025 annual bonus outturns

As discussed above, the annual incentive structure for the CEO and CFO is built around three pillars: shared corporate objectives (50% of salary), individual objectives (50% of salary) and, for the first time in 2025, objectives related to the EV transition – in line with the Remuneration Policy. The EV portion, set at 50% of salary for the CEO and 25% for the CFO, reflects a decision by the Committee to support our commitment to facilitating an inclusive transition to electric vehicles for people with disabilities.

For 2025, all three areas were assessed, with 50% of the corporate and individual portion awarded, and the entire EV portion awarded but deferred for three years (see Figure 1).

Figure 1: Annual bonus outturns in FY2025 for CEO and CFO*



1. Corporate objective (50% deferred for 3 years)
2. Individual objectives (50% deferred for 3 years)
3. EV transition (100% deferred for 3 years)

* All deferred awards remain subject to clawback and Committee discretion, in line with our commitment to a customer-centric reward structure as per our Remuneration Policy.

1. https://www.gov.uk/government/news/pathway-for-zero-emission-vehicle-transition-by-2035-becomes-law

Release of deferred bonus awards

As discussed above, to support a culture of long-term decision-making, 50% of any bonus based on shared corporate and individual objectives is deferred for a period of three years, subject to a set of performance conditions. Additionally, the entire EV portion of the bonus awarded will be deferred for three years.

Based on performance in the three-year period ending 30 September 2025, the Committee determined that the performance conditions attached to deferred bonus awards made for FY2022 were achieved, and, as such, the awards were released to the Executive Directors.

Assessment of overall reward levels

The Committee completed a holistic assessment of the achievement to ensure that outcomes are fair and appropriate in this context. Recognising positive customer service performance, strong underlying performance of the business and progress on long-term initiatives, the Committee considered that the overall outturn was appropriate, considering that Motability's central purpose is delivering long-term affordability and security for customers rather than maximising profit.

The Committee further recognised that, while there was a statutory pre-tax operating loss reported, this loss reflected pre-aligned investment in EV-readiness, customer affordability investments and external cost pressures impacting the fleet, such as rising insurance costs.

The Committee also reflected on the year-on-year increase in the CEO's single figure for total remuneration and considered this to be appropriate for 2025. This was principally driven by the planned release of deferred bonus awards, which were paid after the three-year deferral as performance conditions had been met. It was also noted that, even with the release of the deferred award, the CEO's total remuneration opportunity remains markedly below our primary peers, including private sector companies of a similar size and complexity and other public interest entities.

Reflecting on these factors, the Committee determined that the overall reward for the CEO was appropriate and did not apply any downward discretion.

CEO salary

As part of its annual duties, the Committee undertook a review of staff remuneration and applied the average increase to the CEO in January. Due to the complex nature of the business, which includes working across the automotive sector to purchase new cars and sell our existing fleet, adapting vehicles for disabled people, shifting our model in response to the EV transition, delivering rapidly shifting Government priorities, and due to key performance indicators being met, we recommended a further increase to Andrew Miller's salary.

Over recent years, the demands on our Executives, particularly the CEO, have grown as the scale and complexity of the EV transition have become clearer. This transition is critical to the long-term viability of the Scheme and the delivery of our customer proposition. Andrew Miller's salary was therefore increased by 9% (to £522,750), effective 1 March 2025, to reflect the growing scale and complexity of the role. The Committee believes that the revised salary and overall remuneration opportunity are positioned appropriately, whilst acknowledging that current remuneration continues to sit at a notable discount to the primary peer group.

Our employees

A changing industry means change for our customers and for our employees too as we continue to evolve our operating model and change the way we work together across the organisation. As such, we have changed our default pension fund, ensuring flexible options for our employees.

In 2025, our people continued to demonstrate an outstanding passion and commitment to our common purpose, with our employee engagement scores at 88%. We are pleased that this represents another positive step, surpassing our 2024 engagement result of 87% and remaining above the Willis Towers Watson high-performing benchmarks.

In the year ahead, we'll continue to advance our organisational capability through talent and leadership development, comprehensive succession plans and a review of our Employer Value Proposition to ensure our offering continues to reflect our changing business and workforce.

The Remuneration Committee will continue to provide oversight of our reward practices, ensuring remuneration for our wider workforce remains competitive and relevant. Finally, we will continue to pay our people at least the level of the current Living Wage, as calculated by the Living Wage Foundation.

Looking forward

In FY2026, new performance measures were introduced to strengthen cost efficiency within the Scheme. These included specific Executive objectives focused on the identification and management of Scheme misuse, supporting our commitment to delivering customer-focused outcomes while maintaining robust cost control. These included specific Executive objectives focused on the continued identification and management of Scheme costs – including efficient procurement, Scheme misuse and operational costs – to support our commitment to delivering customer-focused outcomes while maintaining robust cost control.

The Committee will continually review the overall pay framework to ensure it remains aligned with the Group's forward-looking strategy. We will continue to evolve our approach to incentivising the delivery of the EV transition and will further develop our performance framework to ensure this remains aligned with our evolving strategy.

Our remuneration policy is designed to drive the delivery of our strategic ambitions, but, considering the dynamic and complex environment we operate in, we will continue to amend our remuneration policies to attract and retain the talent needed to operate in this environment. Any decisions made by the Committee will be disclosed in the 2026 Directors' Remuneration Report.

P. Pritchard

Peter Pritchard
Chair of Remuneration Committee

2025 overview

Executive Director remuneration

Salary

Both the CEO and CFO were awarded salary increases of 3% (effective 1 January 2025) in line with that awarded to the wider workforce.

Following careful review, the CEO was awarded a further 9% increase, effective 1 March 2025, to reflect the current complexity of the CEO's role, the complexity of the organisation and meeting KPIs.

Benefits and pension

We provide a market standard benefits package – pension contributions are set at 15% of base salary.

Annual bonus – Corporate and individual performance

Assessment of performance versus the corporate and individual objectives resulted in 2025 bonus outcomes of:

- 83.8% of maximum (100% of salary) for Andrew Miller, CEO
- 78.8% of maximum (100% of salary) for Matthew Hamilton-James, CFO.

50% of the bonus is deferred for three years and subject to additional performance criteria – all of which have been met for FY2025.

Annual bonus – EV transition

Assessment of performance against targets related to the EV transition, with a maximum outcome of 50% for the CEO, and 25% for the CFO. Assessment resulted in 2025 bonus outcomes of:

- 15.0% of maximum for Andrew Miller, CEO
- 7.5% of maximum for Matthew Hamilton-James, CFO.

The full amounts awarded in this portion will be deferred for three years, as discussed above.

Vesting of deferred award (FY2022)

Based on performance in the three-year period ended 30 September 2025, the Committee determined the performance conditions attached to deferred bonus awards made in respect of FY2022 were achieved and, as such, the awards will be released to the Executive Directors.

Wider workforce

We reviewed the pay of our wider workforce, considering the impact of inflation and the cost of living, delivering a 3% increase to all employees in January.

Our comprehensive performance framework completed its second year, setting out clear expectations to drive high performance in our employees. This framework is designed to ensure fair outcomes while rewarding our top performers.

Pay gaps

We exceed statutory requirements by annually reporting on pay disparities based on gender, disability, ethnicity and sexuality. The Committee reviews this data each year with the company's broader equity, diversity and inclusion strategy and complexity initiatives.

Highlights from our Pay Gap Report 2025

Our Pay Gap Report shows measurable progress in reducing gender and LGBTQ+ pay gaps, with the mean gender pay gap dropping by 4.3% and improved representation in our lower and lower-middle pay quartiles, partly driven by new site openings and diversity-focused recruitment. We recognise ongoing challenges and the need for continuous improvement, especially in representation at senior and technical levels, but affirm our commitment to equity, diversity and inclusion, ensuring that progress is both measurable and embedded in our core business practices.

You can find more details in our Pay Gap Report 2025

Executive Directors' remuneration

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

Table 1: Overview of executive pay structure

Base salary	The Remuneration Committee determines salaries based on the responsibilities of the role, experience of the individual, the criticality of the role and the individual to the business, performance in the role and market comparatives. We make appropriate changes, taking these factors into account and giving consideration to increases awarded to the wider workforce.
Benefits	A standard range of benefits provided: company car, life assurance, medical insurance and travel insurance (or cash allowance in lieu).
Pension contribution	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. Contributions of 15% of salary for the CEO and CFO, in line with that provided to the wider workforce.
Annual performance incentive	The maximum potential bonus is 150% and 125% of salary respectively for the CEO and CFO. 50% of salary is based on shared corporate targets linked to the Group's strategic objectives, with a further 50% based on objectives that reflect an individual's assigned goals in the year. 50% of any value due under this portion of the bonus is deferred for three years and is subject to further performance conditions. The remaining 50% and 25% of salary for the CEO and CFO respectively are based on stretching performance targets relating to the delivery of the EV transition. This portion of the bonus is deferred for three years. Threshold targets must be met in order for any annual bonus to be paid. (The Committee has discretion to override these in exceptional circumstances.)
Vesting of deferred bonus	50% of any value due under the corporate and individual elements of the bonus is deferred for three years and subject to further performance conditions, while the entire bonus in respect of the EV transition is deferred for three years, after which the Committee will make an assessment of the overall performance in delivery of the transition to ensure that the value accrued is fair and appropriate in this context.

2025 annual bonus

Annual bonus payments are linked to clear and sustainable measures of business and individual performance, including a dedicated portion based on the delivery of the EV transition. Performance targets set are considered to be stretching and require outstanding performance, with levels of stretch incorporated to encourage and reward outstanding performance.

Table 2: FY2025 Executive remuneration outcomes

The table below sets out the remuneration outcomes for the Executive Directors for FY2025.

	Salary		Benefits[1]		Pension[2]		Annual bonus[3]		Vesting of deferred bonuses[4]		Total[5]	
£'000	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
Andrew Miller	**501**	460	**21**	21	**75**	69	**219**	198	**108**	0	**924**	748
Matthew Hamilton-James	**387**	374	**17**	17	**58**	56	**158**	114	**146**	130	**766**	691

1. Benefits include car allowance, private medical cover, life assurance and travel insurance.
2. Pensions benefits comprise payments made into the Company's non-contributory Group personal pension (money purchase) Scheme, plus payments made in lieu of pension contributions where the Director has opted to take taxable income instead of pension-contribution entitlements.
3. Annual bonus reflects the portion of the annual bonus released to participants following the year end (50% of the portion of the bonus based on shared corporate targets and individual objectives). The balance of this element of the bonus is deferred for three years and is subject to additional performance criteria. The entire bonus in respect of the EV transition is deferred until the completion of FY2029, following a Committee assessment of the overall delivery of the transition to ensure that any value delivered to participants is fair and appropriate in this context. The Committee retains discretion to adjust the value released to participants if it is considered appropriate.
4. This reflects the vesting of deferred bonuses awarded in December 2021 and released in December 2024 (the prior year reflects vesting of deferred bonuses awarded in December 2020 and released in December 2023).
5. The total single figure for remuneration encompasses base salary, annual bonus and deferred bonus, and reflects the ambitious objectives met during the year as well as the complexity of leading Motability Operations.

Minimum threshold performance

For payment of any annual bonus, a minimum level of 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, including public policy outside of management's control, have compromised delivery. The threshold targets focus on delivery against the following customer-focused performance measures (and include measures that are consistent with threshold performance under the contractual KPI framework with the Motability Foundation):

Table 4: Assessment of key performance measures

Measure	Threshold performance	Actual performance	Minimum threshold passed?
Customer satisfaction	≥ 88%	94%	Yes
Renewal rate	≥ 75%	94%	Yes
Capital levels[1]	Held above MCR	Above MCR	Yes

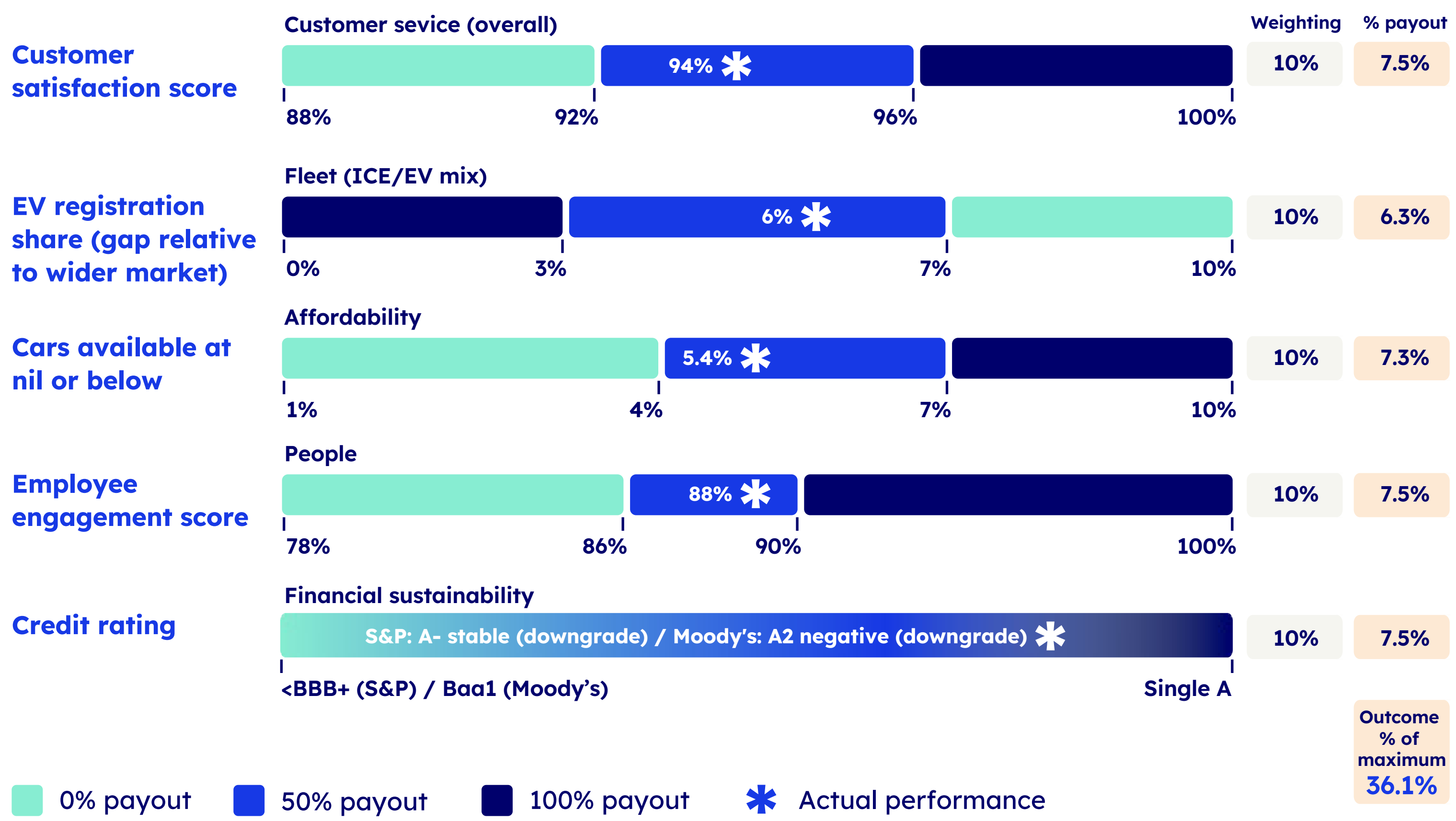
1. The Minimum Capital Requirement (MCR) is derived using an Economic Capital methodology which calculates the capital required to protect the business from potential risk events. Capital requirements are assessed at a 99.99% confidence interval to ensure that the business is capable of withstanding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

As set out in the table above, the threshold performance targets for the year were all met, and the Remuneration Committee was satisfied that the annual bonus payments could be considered for the Executive Directors.

Corporate performance objectives

Within the overall bonus, a total of 50% of base salary is achievable for performance versus shared corporate performance objectives, designed to target the delivery of strong and consistent day-to-day performance with a strong focus on customer outcomes and sustainability. The 2025 corporate performance objectives are as follows:

Figure 2: Corporate performance measures and payout results



Customer service: 10% weighting

Customer service is measured through an independent review by Ipsos, which is commissioned jointly by Motability Operations and the Motability Foundation. The survey measures feedback across a comprehensive range of customer touchpoints. Overall customer satisfaction remains extremely high at 94%, although slightly below our exceptionally stretching maximum target of 96%. The outcome reflects our continued focused efforts on the delivery of outstanding customer service across the organisation, with a core focus on choice, availability and affordability in a fast-changing market.

Fleet (ICE/EV mix): 10% weighting

This measure reviews our EV share of total Motability Operations new car registrations and aims to ensure that we are moving in line with the general market transition to EV. However, we also recognise that we are closing a gap predominantly led by the company car sector rather than the general retail market.

Targets must therefore be calibrated appropriately to ensure we 'follow the market' movement rather than aim to get ahead of it. The outturn of 6.3% this year reflects pricing behaviour from manufacturers driven by the Zero Emissions (ZEV) mandate, and, more recently, a strong retail response to the Government's Electric Car Grant (ECG) launched in July.

Remuneration report continued

Affordability: 10% weighting

Providing a range of affordable cars, including some that do not require any additional Advance Payment (AP), is a core focus. This has become increasingly challenging in a market where vehicle availability is heavily impacted by the electric transition and widespread cost increases, such as insurance, depreciation dynamics and wider inflation. The achievement of 5.1% of cars available being priced at or below nil AP reflects significant efforts to provide affordable leases through optimised pricing, manufacturer negotiations and considerable ongoing work to reduce overall Scheme costs.

Employee engagement: 10% weighting

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 outturn of 7.5% reflects an engagement score of 88%. This is 1 percentage point above FY2024's score and above the survey's High-Performing Organisation benchmark. This year's outcome reflects the continued strong belief our employees have in our purpose and values, investment in employee communications, and further development opportunities for career progression.

Financial sustainability: 10% weighting

Credit rating is a way for us to measure financial sustainability. This year, we saw negative rating action from both credit rating agencies, reflecting the impact of a combination of high customer growth rates and financial results placing additional pressure on a number of key rating metrics. However, both credit ratings remain in the single -A category (S&P: A- stable outlook; Moody's: A2 negative outlook following the UK Government's 2025 Autumn Budget announcement).

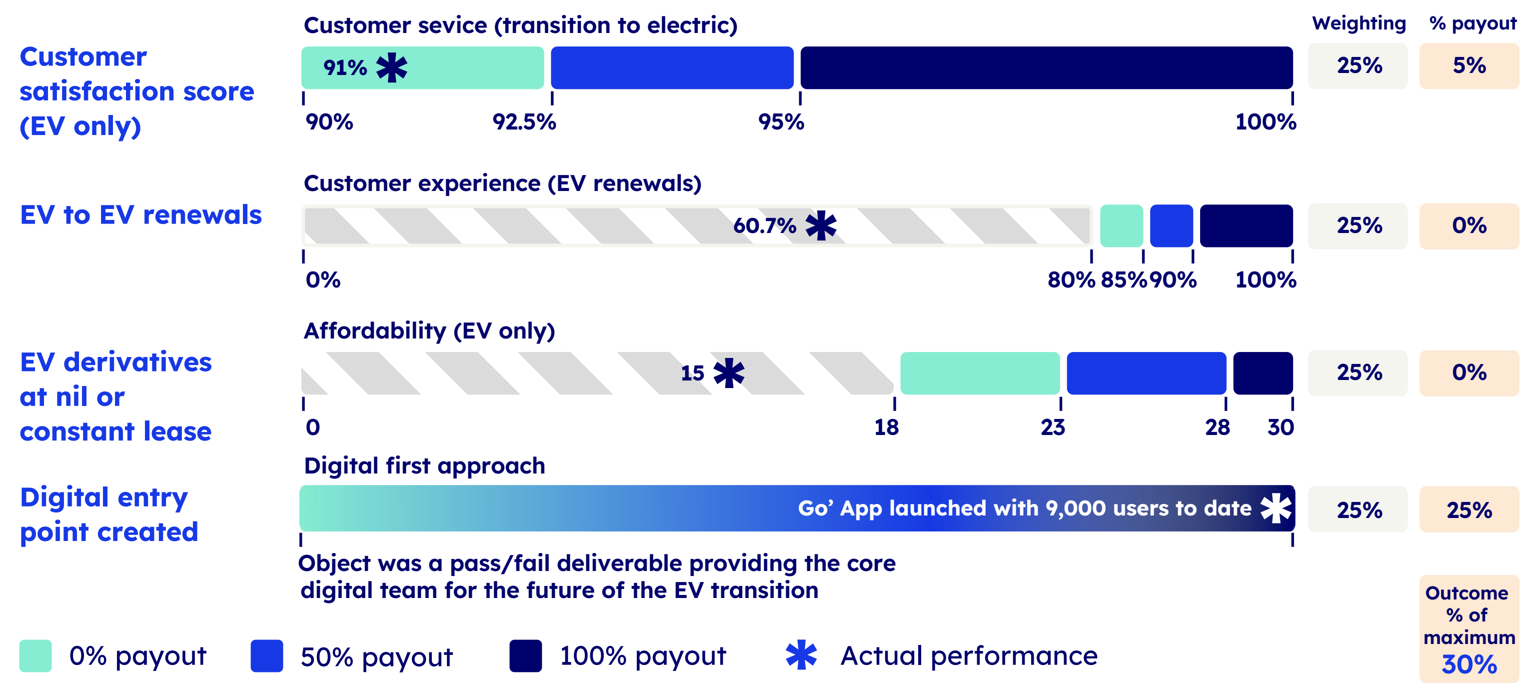
Individual performance objectives

In determining the individual element of the bonus, the Committee assessed each Executive Director against a balanced set of specific, in-year objectives aligned to the business's strategic priorities. Performance was reviewed in the round, considering both the achievement of measurable outcomes and the effectiveness of leadership demonstrated over the year. 50% of base salary was available based on the delivery of these objectives for each. The Committee reviewed the performance of the CEO and CFO against the agreed range of individual performance objectives and determined outcomes of 47.7% for the CEO and 44.7% for the CFO (out of 50% of salary, reflecting the strong delivery across an ambitious set of objectives.

Transition performance objectives

Within the overall bonus, a total of 50% of base salary for the CEO, and 25% of base salary for the CFO, is achievable for performance versus objectives related to the EV transition. The transition objectives incentivise sustaining the business as we move towards a fully electric fleet in 2035 – ensuring we put customer outcomes first. New objectives are proposed for FY2026 and beyond, in line with recent strategy discussions. This will be supported by five-year projected metrics that will be updated each year.

Figure 3: EV transition performance measures and payout results



Customer service (transition to electric): 25% weighting

Helping our customers switch to EVs was a major priority this year and customer satisfaction remained at the heart of the EV transition. For FY2025, the full bonus payout target was set at 95% customer satisfaction (for EV customers), with a 92.5% midpoint defining the target, and 90% defining the threshold payout. This year, the customer satisfaction score landed at 91%, enough to meet the minimum threshold and trigger a partial payout of 5%. This result shows a steady customer experience, while still acknowledging that the shift to EVs represents a sizable change for many Scheme users.

Customer experience (EV renewals): 25% weighting

Renewing EVs for our customers is a key objective. For FY2025, the full bonus payout target was set at 90% customer EV renewal, with an 85% midpoint defining the partial-reward band, and 80% defining the threshold payout. Actual EV renewals were measured at 60.7%, falling short of the threshold needed for payout. This indicated that many customers had challenges with their EVs, highlighting areas where improvement is needed.

Affordability (EV only): 25% weighting

Ensuring EVs remain affordable for our customers continues to be a guiding principle of our transition strategy. This year, the target for EV derivatives available at nil Advance Payment (AP) (or less) was 28 for full payout, with midpoint and threshold at 23 and 18 respectively. Actual performance fell short of the threshold, with the Scheme delivering 15 options. This shortfall underscores the lingering cost pressures in the market and underscores why we must keep working towards a broader selection of affordable choices for our customers.

Digital first approach: 25% weighting

Our adoption of a digital-first mindset was measured by launching a new online entry point, the 'Go' app. The Committee qualitatively evaluated this initiative and deemed it to be a success: the platform is live and has seen 35,000 customers downloading the app and 9,000 registered users. As a result, the full 25% payout for this objective was granted, highlighting progress in digitising customer interactions and access for Scheme users.

Remuneration report continued

Release of deferred bonus awards in respect of FY2022

Based on performance in the three-year period ending 30 September 2025, the Committee determined that the underpinned conditions attached to deferred bonus awards made in respect of FY2022 were achieved, and, as such, the awards were released to the Executive Directors.

Table 3: Summary of amounts awarded as future incentives but not yet receivable

Deferred bonuses	Date of awards	Performance period	Date receivable	Maximum vesting value £k	Value expected at vesting £k
Future payments for current Executive Directors					
Andrew Miller	Oct 2022	2022-2025	Dec 2025	170	170
	Oct 2023	2023-2026	Dec 2026	184	184
	Oct 2024	2024-2027	Dec 2027	198	198
	Oct 2025	2025-2028	Dec 2028	297	297
Matthew Hamilton-James	Oct 2022	2022-2025	Dec 2025	133	133
	Oct 2023	2023-2026	Dec 2026	138	138
	Oct 2024	2024-2027	Dec 2027	114	114
	Oct 2025	2025-2028	Dec 2028	187	187

All the above are subject to malus and clawback provisions.

Deferred bonuses cannot increase in value. However, the Remuneration Committee has the discretion to reduce the value, in consideration of performance versus the criteria set (or based on the Committee's assessment of overall performance aligned to the long-term health of the business for awards that are in respect of the EV transition element of the bonus.)

Non-Executive Directors' remuneration

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

Total remuneration

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

Table 4: Independent Non-Executive Director fees and expenses

£'k	Salary/Fee		Expenses reimbursed in performance of duties		Total	
	2025	2024	2025	2024	2025	2024
Independent Non-Executive Directors						
Sir Stephen O'Brien (Chairman)	174	168	13	6	187	174
Neill Thomas	69	74	1		70	74
Ruth Prior	75	72			75	72
Chris Davies	69	66			69	66
Peter Pritchard	58	56			58	56
Ruth Owen	57	55			57	55
Alison Hastings	58	56	1	2	59	58
Simon Minty	58	56			58	56

1. 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.

Of the Board's Non-Executive Directors, only the Chair and Independent Non-Executive Directors receive remuneration.

Reward philosophy

Motability Operations is driven by a strong sense of purpose, which has fostered a business culture focused on a passion for delivering exceptional customer service. This purpose shapes how employees interact with one another, customers and suppliers. The company's culture is reflected in the Motability Operations Group's core values, which guide the way people work:

1. We care
2. We drive change
3. We find solutions

Our reward approach is designed to recognise past performance while offering appropriate incentives for future success. A key aspect of this approach is rewarding not only the achievement of objectives, but also the behaviours that demonstrate dedication and commitment to delivering excellent outcomes for our customers. The Remuneration Committee recognises the importance of our employees and receives regular updates from the Chief People Officer.

Leaving and joining arrangements for Executive Directors

The Remuneration Committee ensures contractual terms on termination, and payments made, are fair to the individual and the Group and failure is not rewarded. The remuneration for new Executive Directors (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.

There were no changes to the Executive Directors during the year.

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.

In August 2025, Chris Davies stepped down as Chair. Peter Pritchard, who has served as a member of the Committee since 1 November 2022, was appointed Chair on 10 September 2025. The other Committee members were Daniel Meredith Jones, Sir Stephen O'Brien, Ruth Prior, Simon Minty, Alison Hastings and Peter Pritchard.

The Chief Executive and Chief People Officer attend the Committee (but are absent for any discussion about their own remuneration). The HR Reward and Policy Manager acts as secretary to the Committee.

The Chief People Officer 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 that directly relate to their own performance or remuneration.

The effectiveness of the Committee is evaluated at least every two years. A review was undertaken in October 2024, with positive feedback from Committee members concluding that the Committee had been effective and had discharged all its duties and responsibilities. A further review will be undertaken in October 2026.

Independent advisers

The Committee leverages the expertise of external independent specialists for benchmarking, best practice advice, and to ensure that a well-governed process is followed. In line with the Remuneration Policy, which requires a review of remuneration advisers every three years, we conducted a comprehensive review in February 2024, the outcome of which was that Deloitte LLP were reappointed as advisers.

Other statutory information

Non-financial 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.

Impact and sustainability

Corporate responsibility remains an integral part of our business model and long-term strategic goals. We take a proactive approach to managing our environmental impact, with a particular focus on reducing emissions across our fleet and operations. We support our customers in making informed, sustainable choices, by providing clear and relevant information to help them select the vehicle that best meets their needs; further detail is available on page 20. We also continue to minimise the environmental footprint of our workplaces through ongoing initiatives outlined in our SECR disclosure on page 29.

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 pages 25 to 31 within our strategic report.

Human rights

We are committed to conducting our business with respect for the rights and dignity of all individuals connected to our operations. We strive to uphold high ethical standards across our value chain and to promote awareness and understanding of human rights among our employees, suppliers, and partners. We actively encourage open dialogue and support a culture where people feel confident to raise concerns without fear of reprisal.

Our governance framework is underpinned by a comprehensive framework of policies and statements that are accessible to all employees, including the Information Security and Data Protection Policy, Data Privacy Notices, Modern Slavery Statement, Whistleblowing Policy, Pre-employment Vetting Guidelines, and the Anti-Money Laundering, Bribery and Fraud Policy and Supplier Code of Conduct.

We maintain a zero-tolerance approach to unethical behaviour and are committed to the highest standards of integrity, transparency, and accountability. The Anti-Money Laundering, Bribery and Fraud Policy sets out the expected conduct for employees, contractors, suppliers, business partners, and other third parties. Our Gifts and Entertainment Policy further provides clear guidance on the giving and receiving of gifts, hospitality, and entertainment to ensure all interactions are conducted appropriately and transparently.

Customer service and complaints handling

We are committed to delivering excellent customer service.

In 2025, after a full assessment by the UK Institute of Customer Service (UK ICS) involving customer surveys and colleague interviews, Motability Operations was awarded the ICS ServiceMark distinction. ServiceMark is a national accreditation that recognises excellence in customer service and a strong commitment to continuous improvement, based on customer satisfaction levels (UKCSI benchmarking) and employee engagement with the organisation's customer service strategy.

Our latest CSI survey shows that customers rate Motability Operations 9.4 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 and customers can also reach us through a variety of channels, including online chat, Motability app, our website, or face to face.

For issues that cannot be resolved at first point of contact, a team of Account Managers is ready to assist.

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.

An enhanced compliance process was implemented during the year, to ensure accuracy and consistency of reporting.

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

Period covered	Volume of complaints
1 October 2024 – 30 September 2025	**2,887**

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 2025 we contacted a representative sample of customers who had complained to us between November 2024 and April 2025. They rated us with an overall score of 8.7 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. Further information is provided in the Impact and Sustainability section of this report on page 29.

Directors' report

The Directors present their Annual Accounts and Reports for the year ending 30 September 2025. The report must be read in conjunction with the Strategic report from page 3, the Chairman's statement on page 4 and the Chief Executive review on pages 10 to 12.

For the year ended 30 September 2025, 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.

Engagement with employees

We recognise the importance of engaging employees to enable them to make the fullest contribution to the business. The Group views this as fundamental to achieving its strategy and long-term objectives.

We use a variety of channels to engage with and inform our employees, and we actively seek out and listen to their views and opinions. Our Company roadshow, which is open to all employees, provides a platform for the Chief Executive to share updates on performance, plans and future outlook and respond to questions on our purpose, goals and direction. A series of roadshows were held in Spring 2025 across our UK offices. In addition, regular company webinars are held throughout the year, offering all employees the opportunity to hear directly from senior leaders and to participate in live Q&A sessions.

Our employee forum, comprising elected employee representatives and senior management, meets regularly to ensure two-way dialogue and the open sharing of ideas and feedback. The Board has appointed Simon Minty, as Designated Non-Executive Director for workforce engagement.

We conduct an all-employee survey that benchmarks us against High-Performing Organisations, which allows employees to make anonymous comments on their immediate teams, managers, and the Company as a whole. We also periodically conduct pulse surveys on specific topics such as diversity and inclusion.

Developing the skills and capabilities of our employees through training and career development opportunities remains a firm commitment of the Company. Our continued investment in future talent saw us welcome 19 apprentices, six placement students and four scholarship students to Motability Operations.

Equal opportunities

We are an active equal opportunities employer and promote an environment free from discrimination, harassment or victimisation, where everyone receives equal treatment, access to training and career development regardless of age, gender, nationality, ethnic origin, religion, marital status, sexual orientation or disability.

The Company has for many years focused on creating and maintaining a fair, inclusive and supportive working environment where everyone can thrive. Our networking groups, which comprise the Gender, Pride, enAble and REACH Networks provide an opportunity for employees to help shape and inform our EDI strategy.

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.

Innovation

Driven by customer-centricity, we explore cutting-edge technologies and services to address customer problems. Through collaborations with start-ups, businesses, and local authorities, our customers trial solutions and provide vital feedback. Our focus is to enhance the customer experience through innovation and technology.

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

Stephen O'Brien (Chair), Andrew Miller (CEO), Matthew Hamilton-James (CFO), Dan Fairclough, Alison Hastings, James Holian, Michael Hordley, Dan Meredith-Jones, Simon Minty, Ruth Owen, Ruth Prior, Peter Pritchard and Neill Thomas served as Directors throughout the year. David Mudie and Jayne Seaford served as alternate directors throughout the year and Andrew Kilheeney and Amy Bone served as alternate directors from 27 January and 4 June 2025 respectively.

Directors' interests

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

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 2025 Annual Report and Accounts includes a viability statement. This can be found on page 41 of this report.

Independent auditor

The auditor, KPMG, 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' responsibilities statement

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of the Group's 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
- 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 as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the 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 and a Directors' Report that complies with that law and those 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
- 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 they face
- In the case of each Director in office at the date the Directors' report is approved:
- So far as we are aware, there's no relevant audit information of which the Company's external auditor, KPMG, is unaware
- We've taken all steps that ought to be taken as Directors to make ourselves aware of any relevant audit information and to establish KPMG is aware of that information

Kelly-Jane Botha
General Counsel and Group Company Secretary

17 December 2025

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 2025 which comprise the Group income statement, Group statement of comprehensive income, the Group and Company balance sheets, the Group and Company statements of changes in equity, the Group and Company statements of cash flows, 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 2025 and of the Group's loss 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 7 financial years ended 30 September 2025. 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: group financial statements as a whole		£45.0m (2024: £37.0m) 0.6% (2024: 0.5%) of total revenue
Coverage		100% (2024:100%) of group loss before tax
Key audit matters		**vs 2024**
Recurring risks of the Group	Residual values of used cars	<>
	Valuation of the provision for incurred but not reported insurance claims	<>
Recurring risks of the Parent	Recoverability of parent Company's loan to subsidiary	<>

Independent auditors report continued

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 2024), 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
Residual value of used cars *Refer to page 55 (Audit Committee Report), page 80 (accounting policy) and page 90 (financial disclosures).*	**Subjective estimate:** 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. 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. 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. 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 and ongoing volatility in used car market prices. Equally changes in the car market over time may give rise to increased risk for the valuation of different vehicle types which will require monitoring. The change in estimate of residual values of used cars impacts the amount of depreciation recognised over the life of the lease as follows: – An upwards revision of residual value estimates leads to the recognition of a lower depreciation charge for the year and in future years; and – A downwards revision of residual value estimates leads to the recognition of a higher depreciation charge for the year and in future years. 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.	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. Our procedures included: – **Historical comparisons:** 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; – **Benchmarking assumptions:** We assessed the Group's forecasts against alternative industry benchmarks such as the CAP index; – **Our economics expertise:** 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. – **Test of detail:** 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 – **Assessing transparency:** 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. **Our results** We found the resulting estimate of the residual values of used cars and the related disclosures to be acceptable (2024 result: acceptable).

Independent auditors report continued

	The risk	Our response
Valuation of the provision for incurred but not reported insurance claims *Refer to page 55 (Audit Committee Report), page 83 (accounting policy) and page 95 (financial disclosures).*	**Subjective estimate:** The valuation of the provision for incurred but not reported insurance claims is an area requiring significant judgement in the Group financial statements. Valuation of these liabilities is highly judgmental 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. The key assumptions used to determine the expected cash flows for past events include subjective estimates of the frequency and severity of claims incurred. Certain lines of business will contain greater uncertainty, for example third party bodily injury claims exhibit greater variability and are more long tailed than the damage classes. The effect of these matters is that, as part of our risk assessment, we determined that the valuation of the provision for incurred but not reported insurance claims 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. 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.	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. Our procedures included: – **Independent re-performance:** We carried out alternative projections of the provision for incurred but not reported insurance claims balances using standard actuarial methods and compared these to management's calculations; – **Sector experience:** In determining our independent selected assumptions, including the frequency and severity of claims, and reserving methodologies we assessed the Group's historical experience, current trends, and externally derived data; – **Actuarial experts:** We engaged KPMG UK Actuarial Specialists, as well as KPMG Isle of Man engaged Actuarial Specialists, to assess and challenge the valuation of the provision for incurred but not reported insurance claims; and – **Assessing transparency:** We assessed the appropriateness of the accounting policy and disclosures relating to valuation of the provision for incurred but not reported insurance claims. As a part of this, we assessed the sensitivity analysis that is disclosed. **Our results** We found the resulting estimate of the valuation of the provision for incurred but not reported insurance claims and the related disclosures to be acceptable (2024 result: acceptable).
Recoverability of parent Company's loan to subsidiary *Refer to page 80 (accounting policy) and page 92 (financial disclosures).*	**Low risk, high value** The carrying amount of the parent Company's loan to subsidiary represents 89.0% (2024: 89.0%) of the Company's total assets. 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.	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: – **Test of detail:** 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. **Our results** We found the Group's assessment of the recoverability of parent Company's loan to subsidiary acceptable (2024 result: acceptable).

Independent auditors report continued

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

Our application of materiality

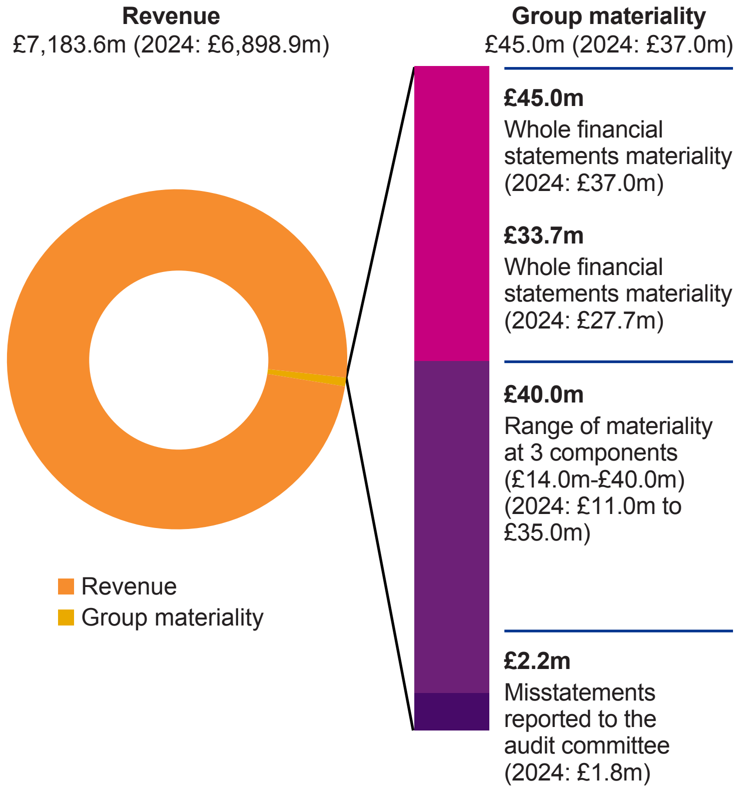
Materiality for the Group financial statements as a whole was set at £45.0m (2024: £37.0m), determined with reference to a benchmark of Group total revenue of which it represents 0.6% (2024: 0.5%).

Materiality for the parent Company financial statements as a whole was set at £33.0m (2024: £24.0m), determined with reference to a benchmark of Company total assets, of which it represents 0.24% (2024: 0.19%).

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% (2024: 75%) of materiality for the financial statements as a whole, which equates to £33.7m (2024: £27.7m) for the Group and £24.7m (2024: £18.0m) 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 £2.2m (2024: £1.8m) for the Group and £1.7m (2024: £1.2m) for the Parent, in addition to other identified misstatements that warranted reporting on qualitative grounds.



Overview of the scope of our audit

This year, we applied the revised group auditing standard in our audit of the consolidated financial statements. The revised standard changes how an auditor approaches the identification of components, and how the audit procedures are planned and executed across components.

In particular, the definition of a component has changed, shifting the focus from how the entity prepares financial information to how we, as the group auditor, plan to perform audit procedures to address group risks of material misstatement. Similarly, the group auditor has an increased role in designing the audit procedures as well as making decisions on where these procedures are performed (centrally and/or at component level) and how these procedures are executed and supervised. As a result, we assess scoping and coverage in a different way and comparisons to prior period coverage figures are not meaningful. In this report we provide an≈indication of scope coverage on the new basis.

We performed risk assessment procedures to determine which of the Group's components are likely to include risks of material misstatement to the Group financial statements and which procedures to perform at these components to address those risks.

In total, we identified three components, having considered the Group's operational and legal structure, the existence of common risk profiles across entities, the presence of key audit matters and our ability to perform audit procedures centrally.

We identified all three as quantitatively significant components given they contained the largest percentages of either total revenue or total assets of the Group, for which we performed audit procedures. The three components were:

– Motability Operations Group plc;
– MO Reinsurance Limited
– Motability Operations Limited

Accordingly, we performed audit procedures on all three components. We involved component auditors on one component. We set the component materialities, ranging from £14.0m to £40.0m, having regard to size and risk profile.

Our audit procedures covered 100% of Group Revenue. We performed audit procedures in relation to components that accounted for 100% of Group profit before tax and 100% of Group total assets. The Group auditor performed the audit of the parent Company.

Group auditor oversight

As part of establishing the overall Group audit strategy and plan, we conducted the risk assessment and planning discussion meetings with component auditors to discuss Group audit risks relevant to the components, including the key audit matter in respect of valuation of the provision for incurred but not reported insurance claims.

We visited the MO Reinsurance Limited component auditor in the Isle of Man to assess the audit risks and strategy and also held virtual meetings. At these visits and meetings, the results of the planning procedures and further audit procedures communicated to us were discussed in more detail, and any further work required by us was then performed by the component auditor.

We inspected the work performed by the component auditors for the purpose of the Group audit and evaluated the appropriateness of conclusions drawn from the audit evidence obtained and consistencies between communicated findings and work performed, with a particular focus on the valuation of the provision for incurred but not reported insurance claims.

Independent auditors report continued

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 its business model and analysed 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 and metrics relevant to debt covenants over this period are as follows:

– Potential impact of new costs that the Group will incur as a result of the November 2025 budget;
– 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 or 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.

Our procedures also included critically assessing assumptions in base case and downside scenarios, in particular in relation to the risks noted above, by comparing to details published in the November 2025 budget, historical trends in severe economic situations, overlaying knowledge of the entity's plans based on approved budgets and our knowledge of the entity and the sector in which it operates.

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 Risk Management Committee meeting minutes;
– Considering remuneration incentive schemes and performance targets for management and Directors; and
– Using analytical procedures to identify any unusual or unexpected relationships.

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

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 the provision for incurred but not reported insurance claims. 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 the provision of incurred but not reported insurance claims 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. This included journal entries containing key words and journal entries posted to seldom used accounts; and
– 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.

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

Under the Companies Act 2006, we are required to report to you if, in our opinion:

Directors' responsibilities

As explained more fully in their statement set out on page 67, 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.

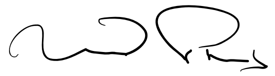
Auditor's responsibilities

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.

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

17 December 2025



Financial statements

Financial statements

Income statement

For the year ended 30 September 2025

	Note	2025 Group £m	2024 Group £m
Revenue	4	**7,183.6**	**6,898.9**
Net operating costs excluding charitable donations		(6,816.6)	(7,101.6)
Charitable donations		(0.3)	(0.2)
Net operating costs	6	(6,816.9)	**(7,101.8)**
Profit/(loss) from operations		**366.7**	(202.9)
Finance costs	9	(525.5)	(361.7)
Loss before tax		**(158.8)**	**(564.6)**
Taxation	10	47.4	148.3
Loss for the financial year		**(111.4)**	**(416.3)**

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 2025

	Note	2025 Group £m	2024 Group £m
Loss for the financial year		**(111.4)**	**(416.3)**
Other comprehensive income – items that may be reclassified subsequently to profit or loss			
Gains/(losses) on movements in fair value of cash flow hedging derivatives	25	276.8	(140.4)
(Losses)/gains on cash flow hedges reclassified to the income statement	25	(272.8)	141.1
Tax relating to components of other comprehensive income		(1.0)	(0.3)
Other comprehensive income for the year, net of tax		**3.0**	**0.4**
Total comprehensive loss for the year		**(108.4)**	**(415.9)**

The notes on pages 79 to 111 form an integral part of these financial statements.

Financial statements continued

Balance sheets

As at 30 September 2025

	Note	2025 Group £m	2024 Group £m	2025 Company £m	2024 Company £m
Assets					
Non-current assets					
Intangible assets	11	16.5	30.7	–	–
Property, plant and equipment	12	90.0	85.8	–	–
Assets held for use in operating leases	13	15,791.7	14,295.3	–	–
Financial assets at amortised cost	15	59.4	136.9	–	–
Investment in subsidiaries	16	–	–	329.7	110.9
Loans to Group companies	16	–	–	12,103.9	11,008.5
Prepayments, trade and other receivables	19	106.0	187.9	3.6	3.7
Derivative financial instruments	26	129.2	–	129.2	–
Deferred tax assets	27	–	–	–	–
		16,192.8	14,736.6	**12,566.4**	11,123.1
Current assets					
Corporation tax receivable		41.8	95.7	–	–
Inventories	14	216.5	226.5	–	–
Financial assets at amortised cost	15	73.7	93.0	–	–
Cash and cash equivalents	17	1,209.9	1,319.6	956.2	1,236.5
Insurance receivables	18	141.6	128.1	–	–
Prepayments, trade and other receivables	19	750.7	733.9	43.3	11.2
Reinsurers' share of insurance provisions	24	1,061.8	531.1	–	–
Derivative financial instruments	26	–	0.6	–	0.6
		3,496.0	3,128.5	**999.5**	**1,248.3**
Total assets		**19,688.8**	17,865.1	**13,565.9**	**12,371.4**

* 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 £102.2m (2024: £88.0m), of which £nil (2024: £nil) was a result of dividends received from subsidiaries (see note 16).

These financial statements on pages 75 to 111 were approved by the Board of Directors on 17 December 2025 and signed on behalf of the Board.

	Note	2025 Group £m	2024 Group £m	2025 Company £m	2024 Company £m
Liabilities					
Current liabilities					
Deferred rental income	20	(509.7)	(326.9)	–	–
Provision for customer rebates	21	(38.2)	(31.7)	–	–
Insurance payables	22	(136.9)	(103.7)	–	–
Trade and other payables	23	(316.3)	(337.5)	(537.9)	(934.1)
Provision for insurance claims outstanding	24	(1,323.2)	(744.5)	–	–
Financial liabilities	25	(1,118.4)	(682.8)	(1,194.1)	(510.1)
Derivative financial instruments	26	(13.8)	(16.5)	(13.8)	(16.5)
		(3,456.5)	**(2,243.6)**	**(1,745.8)**	**(1,460.7)**
Net current assets/(liabilities)		**39.5**	**884.9**	**(746.3)**	**(212.4)**
Non-current liabilities					
Deferred rental income	20	(567.4)	(608.2)	–	–
Provision for customer rebates	21	(52.9)	(40.5)	–	–
Financial liabilities	25	(11,326.3)	(10,383.4)	(11,303.9)	(10,355.1)
Derivative financial instruments	26	(0.6)	(146.2)	(0.6)	(146.2)
Deferred tax liabilities	27	(387.5)	(437.2)	(5.5)	(4.5)
		(12,334.7)	**(11,615.5)**	**(11,310.0)**	**(10,505.8)**
Total liabilities		**(15,791.2)**	**(13,859.1)**	**(13,055.8)**	**(11,966.5)**
Net assets		**3,897.6**	**4,006.0**	**510.1**	**404.9**
Equity					
Ordinary share capital	28	0.1	0.1	0.1	0.1
Hedging reserve		16.3	13.3	16.3	13.3
Restricted reserves*		3,881.2	3,992.6	493.7	391.5
Total equity		**3,897.6**	**4,006.0**	**510.1**	**404.9**

Andrew Miller
Chief Executive
Motability Operations Group plc
Registered number 6541091

The notes on pages 79 to 111 form an integral part of these financial statements.

Financial statements continued

Statements of changes in equity

Group	Ordinary share capital £m	Hedging reserve £m	Restricted reserves £m	Total equity £m
At 1 October 2023	0.1	12.9	4,408.9	4,421.9
Comprehensive income				
Loss for the year	–	–	(416.3)	(416.3)
Other comprehensive income – items that may be reclassified subsequently to profit or loss				
Losses on movements in fair value of cash flow hedging derivatives	–	(140.4)	–	(140.4)
Gains on cash flow hedges reclassified to the income statement	–	141.1	–	141.1
Tax relating to components of other comprehensive income	–	(0.3)	–	(0.3)
Total comprehensive income/(loss)	**–**	**0.4**	**(416.3)**	**(415.9)**
At 1 October 2024	**0.1**	**13.3**	**3,992.6**	**4,006.0**
Comprehensive income				
Loss for the year	–	–	(111.4)	(111.4)
Other comprehensive income – items that may be reclassified subsequently to profit or loss				
Gains on movements in fair value of cash flow hedging derivatives	–	276.8	–	276.8
Losses on cash flow hedges reclassified to the income statement	–	(272.8)	–	(272.8)
Tax relating to components of other comprehensive income	–	(1.0)	–	(1.0)
Total comprehensive income/(loss)	**–**	**3.0**	**(111.4)**	**(108.4)**
At 30 September 2025	**0.1**	**16.3**	**3,881.2**	**3,897.6**

Company	Ordinary share capital £m	Hedging reserve £m	Restricted reserves £m	Total equity £m
At 1 October 2023	0.1	12.5	303.5	316.1
Comprehensive income				
Profit for the year	–	–	88.0	88.0
Other comprehensive income – items that may be reclassified subsequently to profit or loss				
Losses on movements in fair value of cash flow hedging derivatives	–	(140.0)	–	(140.0)
Gains on cash flow hedges reclassified to the income statement	–	141.1	–	141.1
Tax relating to components of other comprehensive income	–	(0.3)	–	(0.3)
Total comprehensive income	**–**	**0.8**	**88.0**	**88.8**
At 1 October 2024	**0.1**	**13.3**	**391.5**	**404.9**
Comprehensive income				
Profit for the year	–	–	102.2	102.2
Other comprehensive income – items that may be reclassified subsequently to profit or loss	–			
Gains on movements in fair value of cash flow hedging derivatives	–	276.8	–	276.8
Losses on cash flow hedges reclassified to the income statement	–	(272.8)	–	(272.8)
Tax relating to components of other comprehensive income	–	(1.0)	–	(1.0)
Total comprehensive income	**–**	**3.0**	**102.2**	**105.2**
At 30 September 2025	**0.1**	**16.3**	**493.7**	**510.1**

The notes on pages 79 to 111 form an integral part of these financial statements.

Financial statements continued

Statements of cash flows

For the year ended 30 September 2025

	Note	2025 Group £m	2024 Group £m	2025 Company £m	2024 Company £m Restated*
Cash flows from operating activities					
Cash (used in)/generated from operations	29	(821.6)	(2,661.6)	(381.6)	1,035.7
Interest (paid)/received		(468.6)	(298.3)	122.3	106.9
Income tax received/(paid)		50.6	(12.0)	(2.1)	9.9
Charitable donations		(0.3)	(0.2)	–	–
Net cash (used in)/generated from operating activities		**(1,239.9)**	**(2,972.1)**	**(261.4)**	1,152.5
Cash flows from investing activities					
Purchase of property, plant and equipment	12	(15.8)	(27.0)	–	–
Proceeds from sale of property, plant and equipment	12, 29	0.4	0.5	–	–
Disposal of financial assets at amortised cost	15	97.3	89.0	–	–
Increase in loans to group company	16	–	–	(1,095.4)	(3,999.6)
Investment in group company	16	–	–	(218.8)	–
Net cash (used in)/generated from operating activities		**81.9**	**62.5**	**(1,314.2)**	(3,999.6)
Cash flows from financing activities					
New loan from group company		–	-	218.8	-
Loans settled		–	(150.0)	–	(150.0)
Bonds issued	25	1,520.3	4,132.6	1,520.3	4,132.6
Bonds redeemed		(433.8)	–	(433.8)	–
Repurchase of own preference shares		(10.0)	–	(10.0)	
Payments of principal portions of lease liabilities		(3.2)	(3.2)	–	–
Net cash generated from financing activities		**1,073.3**	**3,979.4**	**1,295.3**	**3,982.6**
Net (decrease)/increase in cash and cash equivalents		(84.7)	1,069.8	(280.3)	1,135.5
Cash and cash equivalents at beginning of year		1,150.1	80.3	1,236.5	101.0
Cash and cash equivalents at end of year	17	**1,065.4**	**1,150.1**	**956.2**	**1,236.5**

* Comparative information has been restated due to a change in classification. Refer to note 2 for details.

The notes on pages 79 to 111 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 22 Bishopsgate, London, EC2N 4BQ. The nature of the Company's operations and its principal activities are set out on pages 1 to 3, 6, 13 and 14, and the Group's shareholders are detailed in the Corporate governance report on page 47.

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. Material accounting policies

Basis of preparation

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

The preparation of financial statements in conformity with IFRSs requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the Directors' best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the 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 2025 and 2024.

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 12 (Amendments)	International Tax Reform – Pillar Two Model rules
IFRS 16 (Amendments)	Lease liability in a Sale and Leaseback
IAS 1 (Amendments)	Classification of Liabilities as Current or Non-current
IAS 7 (Amendments)	Statement of Cash Flows: Supplier Finance Arrangements

Future accounting developments

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 9 (Amendments)	Financial Instruments
IFRS 7 (Amendments)	Financial Instruments: Disclosures
IFRS 18	Presentation and Disclosure in Financial Statements
IAS 21 (Amendments)	Lack of exchangeability

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 or IFRS amendments in advance of their required dates.

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

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 1 to 42. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Strategic Report on pages 15 to 17. 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 £3.9bn as at 30 September 2025, together with a long-term contract with Motability Foundation to operate the 'Motability Scheme'.

The year ended 30 September 2025 saw customer numbers grow by 9.8% to more than 890k, with 186k new customers joining the scheme, reflecting a 7.1% increase in eligible base of recipients of the qualifying disability allowances.

The reported pre-tax loss of £159m for the period includes £276m of funding for our customer support programmes (New Vehicle Payment (NVP) and Electric Vehicle (EV) investment), which concluded at the end of 2024 and reflects the impact of inflationary pressures on insurance and in-life service costs for the extant fleet. The underlying result (excluding impacts of customer support programmes and car residual value effects) was a full year loss of £67m as a result of continued inflationary pressure on our extant fleet. This is a significant improvement on the prior year loss of £130m and the second half of the financial year returned an underlying profit of £9m.

Used car values remained relatively stable through the year, manifesting in minimal residual value adjustments and a marginal profit recognised on the resale of expiring leases.

Notes to the financial statements continued

2. Material accounting policies continued

Going concern continued

Despite the loss in the year, the Group maintained investment-grade credit ratings: A2 (Moody's negative) and A- (S&P stable) and has issued three new bonds under its Social Bond Framework in January 2025 (a £350m 20-year bond, a €750m 8-year bond, and a €650m 12-year bond).

The Directors have prepared budgets and cash flow forecasts for the period to 31 December 2026 by means of a baseline forecast. The baseline forecast is established on economic conditions and forecasts as at 30 September 2025 and includes overlays pertaining to the taxation changes announced in the UK government's 2025 Autumn Statement (see note 35) that are expected to have a material direct impact on the Group.

In addition, the Directors have applied, in combination, three severe yet plausible downside scenarios to the baseline forecast, reflecting the potential effects to operations and financial performance through a period of economic and market volatility. These include a deterioration in revenue from disposal of operating lease assets, financing impacts of a downgrading to the Group's credit rating and more severe than forecast impacts of the tax changes announced in the Autumn Budget.

Within both the baseline and combined stress 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 no mitigating actions are required.

Consequently, the Directors are confident that the Group and Company will have sufficient funds to continue to meet their 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.

Investments 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 recognised in 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 internal labour where appropriate. These costs are amortised on a straight-line basis over their estimated useful lives, between three and seven years. Intangible assets are reviewed annually for impairment triggers, such as 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:

Office and IT equipment	Three or five years (depending on useful economic life)
Motor vehicles (company cars)	Four years
Plant and machinery	Five to fifteen years (depending on useful economic life)
Fixtures and fittings	Five to twenty-five years (depending on useful economic life)
Buildings	Fifty years
Leasehold improvements	Remaining term of lease

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 assets' fair value less costs of disposal or their '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.

2. Material accounting policies continued

Assets held for use in operating leases continued

Provisions for onerous contracts

Included within the provision for impairment is a provision for onerous contracts. For any monthly tranche of customer lease contracts for which the unavoidable costs of meeting the obligations under the contracts exceed the economic benefits expected to be received under them, the present obligation under the contracts is recognised and measured as a provision, net of any impairment loss recognised for that tranche.

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.

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 Enhanced Rate of the Mobility Component of the Personal Independence Payment; the War Pensioners' Mobility Supplement; the Armed Forces Independence Payment; and, in Scotland, the Enhanced Rate Mobility Component of the Adult Disability Payment; the Higher Rate Mobility Component of the Child Disability Payment; and the Higher Rate Mobility Component of the Scottish Adult Disability Living Allowance. 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 inventory (i.e. former 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 the 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.

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.

Notes to the financial statements continued

2. Material accounting policies continued

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, which the Group repaid in full on 31 December 2024, had been classified as debt, with the associated dividend being recognised on an amortised cost basis in the income statement as a finance cost. There is no dividend entitlement for ordinary shareholders. 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 by 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, asset durations 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 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.

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

Insurance receivables and payables are recognised when due. A provision for impairment is established when there is objective evidence that, as a result of one or more events occurring 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. Material 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 intercompany 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.

Insurance liabilities

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. 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).

Restatement of comparatives

The financial statements of the Company include a prior year restatement in relation to classification within the statement of cash flows. Cash outflows of £3,999.6m due to the increase in loans to a group company, previously presented within cash used in operations, have been presented within cash used in investing activities. The restatement does not impact the net increase in cash and cash equivalents.

Alternative Performance Measure (APM)

In addition to IFRS financial measures, management uses an Alternative Performance Measure (which is not defined by Adopted IFRS) to assess the operating financial performance of the Group; this is referred to as the Group's Underlying Profit before Tax.

Underlying profit is stated before adjusting items. Adjusting items are those significant transactions or events that are unusual, infrequent, non-recurring, or subject to significant volatility, and such items are excluded from standard financial metrics to provide a clearer picture of a company's underlying performance. These items may include: costs associated with reorganising the company's operations or one-off initiatives, impairment losses or reversals, acquisition-related expenses, disposal gains or losses from selling parts of the business or significant assets, significant legal and litigation costs, fair value movements, specific costs incurred due to a geopolitical situation or pandemic, including additional health and safety measures or government support adjustments, amongst others.

2. Material accounting policies continued

Alternative Performance Measure (APM) continued

In determining whether an item should be presented as an allowable adjusting item, the Group considers items which are significant either because of their size or their nature, and which are non-recurring or subject to unusual volatility. For an item to be considered as an allowable adjustment to IFRS measures, it must initially meet at least one of the following criteria:

- It is a significant item, initiative or programme, which may cross more than one accounting period
- It has been directly incurred as a result of either an acquisition, divestiture, or arises from termination benefits without condition of continuing employment related to a major business change or restructuring programme
- It is unusual in nature, e.g. outside the normal course of business
- Its use will provide a clearer picture of a company's underlying performance if adjusted for volatility

If an item meets at least one of the criteria, the Board, through the Audit Committee, exercises judgement as to whether the item should be classified as an allowable adjustment to adopted IFRS performance measures.

Underlying Profit (or Loss) before Tax is defined as the Group's profit or loss before tax before gains or losses from the following: disposals of fully terminated leases; residual value adjustments; movements in provisions for leased vehicle impairments; specific, non-mandatory initiatives such as New Vehicle Payment incentives and investment in the Group's Electric Vehicle transition programme; charitable donations and other adjusting items.

The Group's APM may not be comparable with similarly-titled measures presented by other companies. The Group's APM should not be viewed in isolation but as supplementary information.

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 material 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 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 2025, 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 £134.8m (2024: £118.7m).

Whilst some of this will crystallise at the end of the contracts (in particular in cases where the leases terminate early), for the majority of the fleet a revaluation exercise is undertaken 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 £48.2m (2024: £38.6m). A 1% rise would decrease this year's depreciation charge by approximately £48.2m (2024: £38.6m).

Key estimate and judgement: insurance

A judgement has been made as to whether any of the contracts issued by the Group meet the definition of an insurance contract under IFRS 17. The Group concluded that there are no contracts within the consolidated Group that meet the definition of an insurance contract under IFRS 17.

The Group provides car insurance as a part of its all-inclusive leasing package to customers. As that insurance cover is non-optional and provided at the same time as the car lease is entered into, there is no pre-existing insurance risk prior to the car lease being entered into. On this basis, the insurance provided as part of the car lease does not fall within the scope of IFRS 17 but is instead treated under IFRS 15 as part of the services provided to the customer.

As required by IFRS 15, the Group has assessed whether it is principal or agent for each of the goods and services it provides to customers. The Group has made a judgement that that it acts as principal for all of the goods and services provided on the basis that it is itself responsible under the terms of the customer contract for covering the costs of those services, and the Group controls the specified good or service before that good or service is transferred to a customer.

Claims arising from the insurance cover provided by the Group, including an assessment of claims incurred but not reported, are recognised as an obligation under IAS 37. As explained below, the valuation of the obligation is underpinned by traditional actuarial valuations of insurance claims.

The Group also has arrangements with Direct Line Group (DLG). The Group made a judgement that these arrangements are required to be treated on a combined basis for the Group as a consolidated undertaking under the IFRS framework. The combined effect of these arrangements, from the perspective of the consolidated Group, is the purchase of insurance, which is outside of the scope of IFRS 17.

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 results 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 services concern the valuation of claims liabilities.

Valuation of insurance liability

The insurance liabilities are the best estimate of the expenditure required to settle the present obligation. 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 assessed the continuing impact of repair claim inflation and concluded that the reserves held in the financial statements of the Group are adequate. See note 24 for details of claims reserves balances.

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

Key estimate and judgement: insurance continued

Sensitivity analysis

A 1% change in the insurance loss ratio (net of reinsurance) would impact pre-tax profits by £7.7m in the year (2024: £5.1m). 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 high inflationary environment observed in more recent years and uncertainty over future inflation, alternative adverse inflation scenarios have been considered which 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 an adverse movement of £2.8m (2024: £2.4m) on the Group's net-of-reinsurance provision for insurance claims outstanding.

MORL's low retention net of outward reinsurance limits the volatility in its net-of-reinsurance reserves resulting from any single loss, such that there is a reduced level of uncertainty within those reserves due to social inflation.

Alternative Performance Measure (APM)

The Group exercises judgement in assessing whether specific transactions or events are classified as adjusting items in determining its Alternative Performance Measure. This assessment covers the nature of the item, cause of occurrence, drivers behind significant volatility, and scale of impact of that item on the reported performance. In some situations the umbrella programme to which costs or loss of revenue relate is also taken into account in this assessment. The materiality of items classified as adjusting in 2025 and 2024 is significant.

A reconciliation of loss before tax to underlying figures is presented below. Notes referenced against each item include additional information:

£m	2025	2024	Note
Loss before tax	**(158.8)**	**(564.6)**	
Adjusting items:			
New Vehicle Payment incentives	**193.5**	**152.6**	4
EV investment	**82.7**	**57.7**	
Charitable donations	**0.3**	**0.2**	5
Residual value effects			
Gains from disposal of fully terminated leases	(5.7)	(8.9)	29
Residual value adjustments	5.7	(116.1)	6
Movement in provisions for impairment	(184.4)	348.8	13
Total residual value effects	**(184.4)**	**223.8**	
Underlying loss before tax	**(66.7)**	**(130.3)**	

EV investment is an estimated value of revenue that would be generated from rentals receivable from operating lease assets, had margins associated with EV leases not been impacted by costs associated with the EV investment initiative.

4. Revenue

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

	2025 £m	2024 £m
Proceeds from disposal of inventory (former operating lease assets) (I)	3,554.4	3,961.7
Rentals receivable from operating lease assets (II)	2,231.0	1,831.9
Rentals receivable from operating lease in-life services	289.6	257.4
Rentals receivable from operating lease insurance	943.8	716.7
Insurance reimbursements from disposal of operating lease assets	81.9	81.0
Finance income	66.8	46.2
Other income	16.1	4.0
Total revenue	**7,183.6**	**6,898.9**

(I) During the year the Group made a gain of £21.9m on the disposal of inventory (former operating lease assets) (2024: £73.9m).
(II) Rentals receivable from operating lease assets are presented net of £193.4m charged due to the New Vehicle Payment (NVP) programme of lease incentives (2024: £152.6m).

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
- providing customers an all-inclusive mobility service package

The two main sources of income for this segment are proceeds from disposal of inventory (former 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
- 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.

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.

Notes to the financial statements continued

5. Segmental analysis continued

Segmental performance continued

The following table presents revenue and (loss)/profit information regarding business operating segments for the years ended 30 September 2025 and 30 September 2024.

Year ended 30 September 2025	Scheme Operations £m	Fleet Reinsurance £m	Consolidation adjustments £m	Total £m
Rentals receivable for operating lease assets	2,231.0	–	–	2,231.0
Rentals receivable for operating lease in-life services	289.6	–	–	289.6
Rentals receivable for operating lease insurance	943.8	–	–	943.8
Proceeds from disposal of inventory (former operating lease assets), including insurance reimbursements:				–
Proceeds from external parties	3,636.3	–	–	3,636.3
Inter-segment proceeds	115.0	–	(115.0)	–
Insurance income	–	769.0	(769.0)	–
Other revenue	63.2	19.7	–	82.9
Total revenue	**7,278.9**	**788.7**	**(884.0)**	**7,183.6**
Net book value of disposed operating lease assets	(3,707.4)	–	–	(3,707.4)
Fleet operating costs	(1,527.9)	–	769.0	(758.9)
Insurance claims and commission costs	–	(770.9)	115.0	(655.9)
Depreciation on assets used in operating leases	(1,263.2)	–	–	(1,263.2)
Other operating costs	(430.3)	(0.9)	–	(431.2)
Charitable donations	(0.3)	–	–	(0.3)
Net operating costs	**(6,929.1)**	**(771.8)**	**884.0**	**(6,816.9)**
Profit from operations	**349.8**	**16.9**	**–**	**366.7**
Finance costs	(525.5)	–	–	(525.5)
(Loss)/profit before tax	**(175.7)**	**16.9**	**–**	**(158.8)**
Taxation	47.4	–	–	47.4
(Loss)/profit for the year	**(128.3)**	**16.9**	**–**	**(111.4)**

Year ended 30 September 2024	Scheme Operations £m	Fleet Reinsurance £m	Consolidation adjustments £m	Total £m
Rentals receivable for operating lease assets	1,831.9	–	–	1,831.9
Rentals receivable for operating lease in-life services	257.4	–	–	257.4
Rentals receivable for operating lease insurance	716.7	–	–	716.7
Proceeds from disposal of inventory (former operating lease assets), including insurance reimbursements:				–
Proceeds from external parties	4,042.7	–	–	4,042.7
Inter-segment proceeds	113.8	–	(113.8)	–
Insurance income	–	512.2	(512.2)	–
Other revenue	39.6	10.6	–	50.2
Total revenue	**7,002.1**	**522.8**	**(626.0)**	**6,898.9**
Net book value of disposed operating lease assets	(4,040.1)	–	–	(4,040.1)
Fleet operating costs	(1,138.0)	–	512.2	(625.8)
Insurance claims and commission costs	–	(605.5)	113.8	(491.7)
Depreciation on assets used in operating leases	(1,525.0)	–	–	(1,525.0)
Other operating costs	(417.5)	(1.5)	–	(419.0)
Charitable donations	(0.2)	–	–	(0.2)
Net operating costs	**(7,120.8)**	**(607.0)**	**626.0**	**(7,101.8)**
Loss from operations	**(118.7)**	**(84.2)**	**–**	**(202.9)**
Finance costs	(361.7)	–	–	(361.7)
Loss before tax	**(480.4)**	**(84.2)**	**–**	**(564.6)**
Taxation	127.3	21.0	–	148.3
Loss for the year	**(353.1)**	**(63.2)**	**–**	**(416.3)**

Notes to the financial statements continued

5. Segmental analysis continued

Segmental performance continued

The following table presents certain asset and liability information regarding business operating segments for the years ended 30 September 2025 and 30 September 2024.

Year ended 30 September 2025	Scheme Operations £m	Fleet Reinsurance £m	Consolidation adjustments £m	Total £m
PPE and Intangible assets	106.5	–	–	106.5
Assets held for use in operating leases (including inventories)	16,008.2	–	–	16,008.2
Derivative financial instruments	129.2	–	–	129.2
Insurance receivables	–	141.6	–	141.6
Reinsurers' share of insurance provisions	–	1,061.8	–	1,061.8
Prepayments, trade and other receivables including corporation tax	898.0	0.5	–	898.5
Financial assets	1,276.8	612.5	(546.3)	1,343.0
Total assets	**18,418.7**	**1,816.4**	**(546.3)**	**19,688.8**
Deferred rental income and provisions for rebates	(1,168.2)	–	–	(1,168.2)
Insurance payables	–	(136.9)	–	(136.9)
Trade and other payables	(316.0)	(0.3)	–	(316.3)
Financial liabilities	(12,671.0)	–	226.3	(12,444.7)
Deferred taxation	(387.5)	–	–	(387.5)
Provision for insurance claims outstanding	–	(1,323.2)	–	(1,323.2)
Derivative financial instruments	(14.4)	–	–	(14.4)
Total liabilities	**(14,557.1)**	**(1,460.4)**	**226.3**	**(15,791.2)**
Net assets	**3,861.6**	**356.0**	**(320.0)**	**3,897.6**
Ordinary share capital	0.1	320.0	(320.0)	0.1
Hedging reserve	16.3	–	–	16.3
Restricted reserves	3,845.2	36.0	–	3,881.2
Total equity	**3,861.6**	**356.0**	**(320.0)**	**3,897.6**

Year ended 30 September 2024	Scheme Operations £m	Fleet Reinsurance £m	Consolidation adjustments £m	Total £m
PPE and Intangible assets	116.5	–	–	116.5
Assets held for use in operating leases (including inventories)	14,521.8	–	–	14,521.8
Derivative financial instruments	0.6	–	–	0.6
Insurance receivables	–	128.1	–	128.1
Reinsurers' share of insurance provisions	–	445.8	85.3	531.1
Prepayments, trade and other receivables including corporation tax	1,017.5	–	–	1,017.5
Financial assets	1,341.1	309.7	(101.3)	1,549.5
Total assets	**16,997.5**	**883.6**	**(16.0)**	**17,865.1**
Deferred rental income and provisions for rebates	(1,007.3)	–	–	(1,007.3)
Insurance payables	–	(103.7)	–	(103.7)
Trade and other payables	(337.1)	(0.4)	–	(337.5)
Financial liabilities	(11,066.2)	–	–	(11,066.2)
Deferred taxation	(437.2)	–	–	(437.2)
Provision for insurance claims outstanding	–	(659.2)	(85.3)	(744.5)
Derivative financial instruments	(162.7)	–	–	(162.7)
Total liabilities	**(13,010.5)**	**(763.3)**	**(85.3)**	**(13,859.1)**
Net assets	**3,987.0**	**120.3**	**(101.3)**	**4,006.0**
Ordinary share capital	0.1	101.3	(101.3)	0.1
Hedging reserve	13.3	–	–	13.3
Restricted reserves	3,973.6	19.0	–	3,992.6
Total equity	**3,987.0**	**120.3**	**(101.3)**	**4,006.0**

Notes to the financial statements continued

6. Net operating costs

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

	2025 £m	2024 £m
Net book value of disposed operating lease assets	3,532.5	3,887.7
Net book value of operating lease assets derecognised as insurance write-offs	174.9	152.4
Charitable donations	0.3	0.2
Fleet operating costs including insurance, maintenance and roadside assistance costs*	758.9	625.8
Insurance claims expense	655.9	491.7
Other operating costs	59.9	55.0
Employee costs	137.4	123.9
Other product costs including continuous mobility costs, adaptations support, communications	154.2	166.2
Legal and professional fees	35.5	44.1
Bad debt charges and movement in bad debt provisions	18.6	1.4
Management fees	0.7	0.8
Net operating costs before depreciation and amortisation	**5,528.8**	**5,549.2**
Depreciation on assets used in operating leases	1,293.2	1,176.1
Impairment (reversal)/loss on assets used in operating leases	(30.0)	348.8
Depreciation and amortisation of property, plant and equipment and intangible assets	24.9	27.7
Net operating costs	**6,816.9**	**7,101.8**

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

The depreciation charge on assets used in operating leases includes a £46.2m charge (2024: £21.3m charge) relating to the change in estimate during the year of future residual values (see note 13). Taking into account the depreciation changes on contracts that expired in the year, the total value of depreciation relating to changes in estimates, also called Residual Value Adjustment as disclosed in the note 3, was a £5.7m charge (2024: £116.1m release).

7. Auditor remuneration

	2025 £	2024 £
Auditor remuneration: Audit fees for Group and Company financial statements	551,467	481,813
Total audit fees for Group and Company financial statements	**551,467**	**481,813**
Audit fees paid on behalf of subsidiaries	424,185	359,597
Audit-related assurance services	113,825	110,510
Tax compliance services	0	0
Tax advisory services	0	0
Internal audit services	0	0
Other assurance services	100,000	100,000
Corporate finance services	0	0
Total other fees payable to the auditors	**638,010**	**570,107**

8. Employee costs

The employee costs for the Company are £nil (2024: £nil). All employee costs for the Group are borne in full by its subsidiary Motability Operations Limited. The average monthly number of persons employed on a full-time equivalent basis (including Executive Directors) was:

Group

	2025	2024
Administrative staff	1,574	1,559
Vehicle solutions	91	–
Total number of employees	**1,665**	**1,559**

	2025 £m	2024 £m
The breakdown of staff costs is as follows:		
Wages and salaries	111.0	100.9
Social security costs	13.6	11.1
Other pension costs	12.8	11.9
Total employee costs	**137.4**	**123.9**

9. Finance costs

The finance costs for the Group are:

	2025 £m	2024 £m
Interest and charges on bank loans and overdrafts	27.6	45.9
Interest on debt issued under the Euro Medium Term Note Programme	497.0	314.3
Interest on right-of-use leased assets	0.7	0.8
Preference dividends	0.2	0.7
Total finance costs	**525.5**	**361.7**

10. Taxation

The major components of the Group's consolidated tax credit are:

	2025 £m	2024 £m
Current tax		
Charge for the year	(2.1)	–
Adjustment in respect of prior years	(1.3)	9.9
Total	**(3.4)**	**9.9**
Deferred tax		
Origination and reversal of temporary differences	60.3	149.4
Adjustments recognised in the current year in relation to the deferred tax of prior years	(9.5)	(11.0)
Total	**50.8**	**138.4**
Total tax credit on loss	**47.4**	**148.3**

Notes to the financial statements continued

10. Taxation continued

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the loss of the consolidated entities as follows:

	2025 £m	2024 £m
Loss before tax	**(158.8)**	**(564.6)**
Tax calculated at appropriate tax rates applicable to loss (2025: 25%, 2024: 25%)	39.7	141.2
Non-taxable capital gains	22.1	30.1
Expenses not deductible for tax purposes	(5.7)	(0.8)
Foreign tax rate differences	2.1	(21.1)
Adjustments relating to prior year's deferred tax	(9.5)	(11.0)
Adjustments recognised in the current year in relation to the current tax of prior years	(1.3)	9.9
Total tax credit on loss	**47.4**	**148.3**

The main rate of corporation tax is 25% (2024: 25%).

The Group's effective tax rate (excluding the impact of foreign tax rates and prior year adjustments) is 35.3% (2024: 30.2%). This is different to the standard rate due to non-taxable capital gains on disposals of motor vehicles for values above cost, and non-deductible expenses consisting predominantly of disallowed interest and depreciation on leasehold improvements.

Tax paid

The Group reallocated £33.1m of prior year tax overpayments towards the overall current tax charge of £3.4m and did not make any further tax payments during the year (2024: tax paid £12.0m). The Group received refunds of overpaid tax of £50.6m (2024: £0m). The cumulative effect is a debtor balance of £41.8m (2024: £95.8m), shown as corporation tax receivable at the year-end.

Pillar Two

The OECD released the Pillar Two Model Rules (Globe Rules) on 20 December 2021.

The Globe rules enacted in the United Kingdom (UK), by Finance (No. 2) Act 2023, introduced a multinational top-up tax (UK IRR) and domestic top-up tax (UK DTT), which first applied to the Group in FY25.

The Isle of Man (IOM) is the only jurisdiction besides the UK where the Group has a tax-resident entity (MO Reinsurance Limited (MORL)). In November 2024, the IOM enacted a Domestic Top-up Tax (IOM DTT) in the Global Minimum Tax (Pillar Two) Order 2024. The IOM DTT will first apply to the Group in FY26. For FY25, any Pillar Two top-up tax in respect of MORL, would, if due, be collected under the UKIRR.

No Pillar Two DTT is expected for FY25, as the Group expects the UK to qualify for the transitional CbCR safe harbour and, separately, no UK IRR is expected to arise in respect of MORL.

The Group has applied the exception to recognising deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12.

11. Intangible assets

Group

	Total £m
Cost	
At 1 October 2023	158.6
Additions	–
At 1 October 2024	158.6
Additions	–
At 30 September 2025	**158.6**
Accumulated amortisation and impairment	
At 1 October 2023	108.7
Amortisation charge for the year	19.2
At 1 October 2024	127.9
Amortisation charge for the year	14.2
At 30 September 2025	**142.1**
Carrying amount	
At 1 October 2023	49.9
Additions	–
Amortisation	(19.2)
At 1 October 2024	30.7
Additions	–
Amortisation	(14.2)
At 30 September 2025	**16.5**

The intangible assets relate to IT software held by the Company's wholly owned subsidiary Motability Operations Limited.

Notes to the financial statements continued

12. Property, plant and equipment

Group

Cost	Motor vehicles £m	Leasehold improvements £m	Right-of-use leased assets (property) £m	Land and buildings £m	Plant and machinery £m	Fixtures, fittings and office equipment £m	Total £m
At 1 October 2023	2.9	39.7	46.6	20.4	–	9.5	119.1
Additions	2.0	8.3	12.9	15.4	–	1.2	39.8
Disposals	(1.1)	–	–	–	–	–	(1.1)
At 1 October 2024	3.8	48.0	59.5	35.8	–	10.7	157.8
Transfers	–	(2.0)	–	(3.9)	2.5	3.4	–
Additions	1.7	–	–	9.5	–	4.6	15.8
Disposals	(1.1)	(0.1)	(26.3)	–	–	(0.4)	(27.9)
At 30 September 2025	**4.4**	**45.9**	**33.2**	**41.4**	**2.5**	**18.3**	**145.7**
Accumulated depreciation							
At 1 October 2023	1.2	21.2	33.1	–	–	8.8	64.3
Charge for the year	0.8	3.2	3.8	–	–	0.7	8.5
Eliminated on disposals	(0.8)	–	–	–	–	–	(0.8)
At 1 October 2024	1.2	24.4	36.9	–	–	9.5	72.0
Charge for the year	1.1	4.0	3.4	0.3	0.2	1.7	10.7
Eliminated on disposals	(0.6)	(0.1)	(26.3)	–	–	–	(27.0)
At 30 September 2025	**1.7**	**28.3**	**14.0**	**0.3**	**0.2**	**11.2**	**55.7**
Carrying amount							
At 1 October 2023	1.7	18.5	13.5	20.4	–	0.7	54.8
Additions	2.0	8.3	12.9	15.4	–	1.2	39.8
Disposals	(0.3)	–	–	–	–	–	(0.3)
Depreciation	(0.8)	(3.2)	(3.8)	–	–	(0.7)	(8.5)
At 1 October 2024	2.6	23.6	22.6	35.8	–	1.2	85.8
Transfers	–	(2.0)	–	(3.9)	2.5	3.4	–
Additions	1.7	–	–	9.5	–	4.6	15.8
Disposals	(0.5)	–	–	–	–	(0.4)	(0.9)
Depreciation	(1.1)	(4.0)	(3.4)	(0.3)	(0.2)	(1.7)	(10.7)
At 30 September 2025	**2.7**	**17.6**	**19.2**	**41.1**	**2.3**	**7.1**	**90.0**
Construction in progress included in carrying amount	**–**	**0.1**	**–**	**10.1**	**–**	**–**	**10.2**

At 30 September 2025, the carrying value of land included in land and buildings above was £20.1m (2024: £20.1m).

At 30 September 2025, the Group had entered into contractual commitments in respect of capital expenditure on property, plant and equipment amounting to £nil (2024: £14.2m).

13. Assets held for use in operating leases

Group

Motor vehicle assets

Cost	Cost £m	Accumulated depreciation £m	Carrying amount £m
At 1 October 2023	12,648.4	(927.0)	11,721.4
Additions	8,127.7	–	8,127.7
Depreciation	–	(1,176.1)	(1,176.1)
Impairment charge	–	(348.8)	(348.8)
Transfer to inventory	(4,651.5)	622.6	(4,028.9)
At 1 October 2024	16,124.6	(1,829.3)	14,295.3
Additions	6,463.3	–	6,463.3
Depreciation	–	(1,293.2)	(1,293.2)
Impairment release	–	30.0	30.0
Transfer to inventory	(4,380.4)	676.7	(3,703.7)
At 30 September 2025	**18,207.5**	**(2,415.8)**	**15,791.7**

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. 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

	2025 £m	2024 £m
No later than one year	3,303.6	2,590.7
Later than one year and no later than two years	5,264.3	3,587.6
Later than two years and no later than three years	4,729.3	5,558.0
Later than three years and no later than four years	77.4	52.3
Later than four years and no later than five years	105.2	80.8
Total exposure	**13,479.8**	**11,869.4**

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

Notes to the financial statements continued

13. Assets held for use in operating leases continued

Timing of revisions to original priced residual values included in the unguaranteed residual values above

	2025 £m	2024 £m
Amounts released in prior years	218.2	639.5
Amounts charged in current year*	(46.2)	(21.3)
Total adjustments to depreciation carried at 30 September**	**172.0**	**618.2**
Amounts to be charged in future years	(47.2)	(181.9)
Total increase in estimated residual value	**124.8**	**436.3**

* 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 2025 of £172.0m (2024: £618.2m) is included within the accumulated depreciation balance of £2,415.8m (2024: £1,829.2m) on assets held for use in operating leases.

Impairment charges included in the net book value of operating leases

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

Impairment is defined as a position where the net book value is higher than the 'recoverable amount'. The recoverable amount is the assets' fair value less costs of disposal or their 'value in use'. Value in use represents the estimated future cash flows to be derived from continuing use of the asset, measured after applying an appropriate discount rate.

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

Included within the provision for impairment is a provision for onerous contracts. For any monthly tranche of customer lease contracts for which the unavoidable costs of meeting the obligations under the contracts exceed the economic benefits expected to be received under them, the present obligation under the contracts is recognised and measured as a provision, net of any impairment loss recognised for that tranche.

At 30 September 2025, following the re-estimation of the residual values, an impairment review was undertaken which resulted in the recognition of an impairment provision of £164.4m (2024: £348.8m), which is expected to unwind during the next four financial years, as presented below:

	2025 Group £m	2024 Group £m
At 1 October	(348.8)	–
Utilisation of impairment losses	154.4	–
Impairment losses recognised	(106.1)	(348.8)
Reversal of impairment losses	136.1	–
At 30 September	**(164.4)**	**(348.8)**

Years in which impairment charges are expected to unwind

	2025 Group £m	2024 Group £m
No later than one year	72.4	150.8
Later than one year and no later than two years	48.7	141.7
Later than two years and no later than three years	32.5	56.3
Later than three years and no later than four years	10.8	–
Total	**164.4**	**348.8**

The Group as lessor

The future undiscounted 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:

	2025 Group £m	2024 Group £m
No later than one year	1,776.0	1,657.6
Later than one year and no later than two years	911.2	1,005.6
Later than two years and no later than three years	244.8	306.6
Later than three years and no later than four years	12.6	11.2
Later than four years and no later than five years	3.7	3.5
Total	**2,948.3**	**2,984.5**

14. Inventories

As at the 30 September 2025, the value of the ex-operating lease assets held for sale (net) was £216.5m (2024: £226.5m).

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 (2024: £nil). During the year there was no change to the provision and no write-off (2024: 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 £3,713.7m (2024: £4,040.1m).

	£m
At 1 October 2023	237.9
Transfer from operating lease assets (note 13)	4,028.7
Disposals (including insurance write-offs)	(4,040.1)
At 1 October 2024	**226.5**
Transfer from operating lease assets (note 13)	3,703.7
Disposals (including insurance write-offs)	(3,713.7)
Inventory write down	(6.3)
Right to returned goods	6.3
At 30 September 2025	**216.5**

Notes to the financial statements continued

15. Financial assets at amortised cost

	2025 Group £m	2024 Group £m
Financial assets at amortised cost		
Fixed-income bonds	133.1	229.9
Included in:		
Non-current assets	59.4	136.9
Current assets	73.7	93.0

Financial assets at amortised cost are presented net of expected credit loss (ECL) provisions of £0.1m (2024: £0.5m).

Allowances for impairment (ECL) of financial assets at amortised cost during the year decreased by £0.4m (2024: increased by £0.2m).

Contractual maturity of the Group's financial assets at amortised cost:

	2025 Group £m	2024 Group £m
On demand or no later than one year	73.7	93.0
Later than one year and no later than two years	27.3	77.5
Later than two years and no later than five years	32.1	50.4
Later than five years	–	9.0
Total	**133.1**	**229.9**

The carrying amounts and fair value of the assets:

	2025 Group carrying amount £m	2025 Group fair value £m	2024 Group carrying amount £m	2024 Group fair value £m
Current financial assets at amortised cost	73.7	73.5	93.0	92.5
Non-current financial assets at amortised cost	59.4	57.1	136.9	134.8
Total	**133.1**	**130.6**	**229.9**	**227.3**

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 3.51% per annum (2024: 2.0%), with coupon rates ranging from 0.125% to 7.0% per annum (2024: 0.1% to 7.0%). The fixed-income bonds are denominated in Sterling, which is the functional currency of all entities within the Group.

16. Investment in subsidiaries

	2025 £m	2024 £m
Investment in subsidiaries at 30 September	329.7	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) 22 Bishopsgate, London, England, EC2N 4BQ.
(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 (2024: £nil) from MO Reinsurance Limited.

Up until January 2025, the Company's investment in the share capital of MO Reinsurance Limited was partly paid up. During the year, the Directors of MO Reinsurance Limited called up the unpaid share capital of £218.8m in full, as permitted by a special resolution passed in 2013; and this was paid by the Company in January 2025.

Loans to Group companies

	2025 Company £m	2024 Company £m
Motability Operations Limited	12,103.9	11,008.5

The loans to Group companies do not have a defined maturity and are classified as non-current (see note 36).

During the year the Company received interest payments of £582.0m (2024: £403.7m) 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

	2025 Group £m	2024 Group £m	2025 Company £m	2024 Company £m
Cleared balances	1,209.8	1,319.6	956.2	1,236.5
Cash in the course of collection	0.1	–	–	–
Cash and cash equivalents in the balance sheet	**1,209.9**	**1,319.6**	**956.2**	**1,236.5**
Cash in the course of transmission	(144.5)	(169.5)	–	–
Cash and cash equivalents in the statement of cash flows	**1,065.4**	**1,150.1**	**956.2**	**1,236.5**

Cash and cash equivalents in the balance sheet 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.

Notes to the financial statements continued

18. Insurance receivables

	2025 Group £m	2024 Group £m
Insurance premium debtor	88.8	71.1
Claims recoveries and rebates	17.6	6.3
Reinsurance claims recoveries and commissions receivable	35.2	50.7
Total insurance receivables	**141.6**	**128.1**

All insurance receivables are stated at their fair value and are not considered to be impaired.

19. Prepayments, trade and other receivables

	2025 Group £m	2024 Group £m	2025 Company £m	2024 Company £m
Trade receivables	262.2	256.0	–	–
Other receivables	143.6	182.1	–	–
Prepayments and accrued income	450.9	483.7	46.9	14.9
Total	**856.7**	**921.8**	**46.9**	**14.9**
Included in current assets	750.7	733.9	43.3	11.2
Included in non-current assets	106.0	187.9	3.6	3.7
Total	**856.7**	**921.8**	**46.9**	**14.9**

Trade receivables include an allowance for estimated irrecoverable amounts of £9.4m (2024: £3.9m). This allowance has been made by reference to past default experience and the ECL rules of IFRS 9. During the year there was £5.5m increase to the provisions and £nil receivables written off (2024: £1.7m increase in provisions and £nil receivables written off). The average receivable days period is 13 days (2024: 13 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 £24.5m (2024: £34.8m) 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 21 days (2024: 9 days).

Ageing of past due but not impaired receivables:

	2025 Group £m	2024 Group £m
Past due by 1-30 days	17.4	31.0
Past due by 31-60 days	4.2	2.9
Past due by 61-90 days	2.2	0.2
Past due by 91-120 days	0.7	0.7
Past due by more than 120 days	–	–
Total	**24.5**	**34.8**

20. Deferred rental income

	2025 Group £m	2024 Group £m
Current		
Customers' Advance Payments*	425.2	345.5
Vehicle in-life service income	27.1	(2.3)
Vehicle insurance income	57.4	(16.3)
Total current	**509.7**	**326.9**
Non-current		
Customers' Advance Payments*	422.7	387.7
Vehicle in-life service income	122.9	114.5
Vehicle insurance income	21.8	106.0
Total non-current	**567.4**	**608.2**
Total	**1,077.1**	**935.1**

* 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.

Notes to the financial statements continued

20. Deferred rental income continued

Deferred income balances continued

Movements in deferred income balances during the period:

	In-life services income £m	Insurance income £m	Total £m
At 1 October 2023	81.8	23.9	105.7
Recognised in revenue	(36.8)	(8.2)	(45.0)
Increases due to cash received	67.2	74.0	141.2
At 1 October 2024	**112.2**	**89.7**	**201.9**
Recognised in revenue	(39.2)	(34.2)	(73.4)
Increases due to cash received	77.0	23.7	100.7
At 30 September 2025	**150.0**	**79.2**	**229.2**

Transaction price allocated to the remaining performance obligations

The future rentals receivable 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:

For in-life service costs

	2025 Group £m	2024 Group £m
No later than one year	317.2	266.4
Later than one year and no later than two years	206.6	204.2
Later than two years and no later than three years	74.7	79.5
Later than three years and no later than four years	12.0	9.0
Later than four years and no later than five years	4.1	3.6
Total	**614.6**	**562.7**

For insurance cover

	2025 Group £m	2024 Group £m
No later than one year	949.7	727.9
Later than one year and no later than two years	643.4	553.9
Later than two years and no later than three years	228.3	208.5
Later than three years and no later than four years	12.6	9.0
Later than four years and no later than five years	4.7	3.3
Total	**1,838.7**	**1,502.6**

21. Provision for customer rebates

	Good condition payments £m	Return to dealer payments £m	Total £m
At 1 October 2023	56.1	0.6	56.7
Additional provisions accrued during the year	75.4	0.1	75.5
Utilised during the year	(60.0)	–	(60.0)
At 1 October 2024	**71.5**	**0.7**	**72.2**
Additional provisions accrued during the year	61.9	–	61.9
Utilised during the year	(42.3)	(0.7)	(43.0)
At 30 September 2025	**91.1**	**–**	**91.1**

Analysis of provisions

	2025 £m	2024 £m
Included in non-current liabilities	52.9	40.5
Included in current liabilities	38.2	31.7
Total	**91.1**	**72.2**

Customer rental rebates occur under two 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 were payable in the year in some situations when a lease terminated early and the vehicle was returned to the dealership

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

22. Insurance payables

	2025 Group £m	2024 Group £m
Reinsurance premiums payable	40.1	42.0
Commissions and administration fee payable	9.7	–
Claims reimbursements payable	87.1	61.7
Total insurance payables	**136.9**	**103.7**

The carrying value of insurance payables approximates to fair value.

Notes to the financial statements continued

23. Trade and other payables

	2025 Group £m	2024 Group £m
Trade payables	94.6	138.3
Social security and other taxes	3.1	2.8
Accruals	209.6	194.4
Other payables	9.0	0.3
Advance Payments received from DWP	–	1.7
Total	**316.3**	**337.5**

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 (2024: 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

As part of its all-inclusive lease product, the Group covers the costs of liabilities associated with risks for which vehicle-users outside of the Group's customer base would standardly purchase motor insurance cover, including cover for personal accident, third-party liability and legal expenses. Notwithstanding that the Group has no arrangements meeting the definition of an insurance contract under IFRS 17 for the reasons explained in note 3, the Group is exposed to the risk that the event for which such cover is provided occurs and the risk associated with the uncertainty of the amount and timing of the resulting claim, which are together referred to in this report as 'insurance risk'.

The principal risks of this type to which the Group is exposed are underwriting risk and reserving risk. Underwriting risk is the risk of the Group making an inaccurate assessment of the cost of providing the liability cover afforded to customers under their lease contracts, and it results from the unpredictability of the risks covered by the Group. 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
- a system of review is in place whereby all claims in excess of £1,000,000 are reported separately to the Group
- The Directors of the Group are responsible for ensuring that the premiums charged under the insurance services 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 insurance as part of the services included with the leases and has purchased a fleet block insurance policy from DLG to cover the full book. The Group further provides 80% motor quota-share reinsurance to DLG in respect of the fleet block insurance policy purchased from DLG. From the perspective of the consolidated Group, these arrangements, which are accounted for on a combined basis, result in a net purchase of insurance. 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

The Group has limited its motor risk exposure by the purchase of reinsurance as follows:

- Quota-share reinsurance has been purchased to protect the Group against any individual losses exceeding the Group's net retention of £40,000 (2024: £40,000) for each and every claim
- Excess of loss reinsurance protects the Group and ceding insurer against individual losses exceeding £5,000,000 (2024: £5,000,000) for each and every claim
- Stop loss reinsurance protects the Group against accumulation of losses on lower-value claims. Stop loss reinsurance provides limited protection if the aggregate of all individual claims up to £40,000 exceeds pre-specified thresholds on any one contract year

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
- independent third-party reinsurance brokers being appointed on the basis of their ability to negotiate, recommend and place reinsurance with appropriate markets

Notes to the financial statements continued

24. Provision for insurance claims outstanding and insurance risk management continued

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. In previous years, the provision for insurance claims outstanding was stated net of insured amounts recoverable from DLG of £207.5m, such that the Group's reported provision for insurance claims outstanding reflected the 80% of the insurance book retained by the Group. In the current reporting period, the Group is presenting the provision for insurance claims outstanding as 100% of the insurance book, with the corresponding recoverable asset included within reinsurers' share of insurance provisions. This change has no impact on reported net retained insurance liabilities, nor the reported performance of the Group. The gross claims development table shown in this note is now presented on the basis of 100% of the insurance book. The prior year has not been restated for this change on the grounds of materiality.

Motor quota-share reinsurance	2025 Group £m	2024 Group £m
Notified claims reserves	1,268.4	754.9
IBNR reserve	54.8	74.9
Third-party recoveries reserve	(134.0)	(85.3)
Reinsurance recoveries reserve	(927.8)	(531.1)
Total net retained	**261.4**	**213.4**
Included in liabilities	1,323.2	744.5
Included in assets	(1,061.8)	(531.1)
Total net retained	**261.4**	**213.4**

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 and is derived from the MO and DLG/RSA half-yearly pricing analysis.

Inflation Adjusted Approach

This allows for an explicit level of inflation particularly where the claims data has not developed enough and hence is prone to more uncertainty. This method was used primarily for the 2021/23 accident periods.

Frequency and severity methods

Frequency and severity are projected separately using Chain Ladder methods and then combined to provide ultimates.

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 claims development tables below flow to note 5 (Segmental reporting) and note 6 (Net operating costs) as follows:

Insurance claims and commission costs	2025 Group £m	2024 Group £m
Current year claims including IBNR	683.0	474.2
Prior year claims	(29.0)	36.9
Reinsurance commissions, MIB levies and administration fees	1.9	(19.4)
Insurance claims and commission costs	**655.9**	**491.7**

During the year reinsurance commissions of £32.6m were booked (2024: £43.3m) comprising a guaranteed element of £10.5m (2024: £1.0m) and a variable element of £22.1m (2024: £42.3m).

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 each 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 Group.

Estimate of ultimate claims cost	Underwriting year 2020 £m	Underwriting year 2021 £m	Underwriting year 2022 £m	Underwriting year 2023 £m	Underwriting year 2024 £m	Underwriting year 2025 £m	Total £m
At end of reporting year	443.5	467.3	560.0	632.3	1,082.8	1,252.1	
One year later	455.3	470.0	580.8	644.5	1,146.8		
Two years later	442.0	456.0	575.3	647.0			
Three years later	427.6	445.5	586.5				
Four years later	417.6	449.5					
Five years later	432.1						
Current estimate of cumulative claims	432.1	449.5	586.5	647.0	1,146.8	1,252.1	**4,514.0**
Cumulative payments to date	(419.1)	(422.3)	(509.1)	(541.0)	(833.9)	(680.3)	**(3,405.6)**
Rebates	33.0	33.4	35.0	34.3	9.3	–	**144.9**
Claims reserves included in the balance sheet	46.0	60.6	112.4	140.3	322.1	571.9	**1,253.2**
Claims reserves in respect of prior periods							**70.0**
Total liability included in the balance sheet							**1,323.2**

Notes to the financial statements continued

24. Provision for insurance claims outstanding and insurance risk management continued

Motor quota-share reinsurance continued

The table above is gross of reinsurance but net of subrogated claims recoveries. Rebates are amounts received relating to volume, referral and wholesale discounts from trade partners, which reduce the cost of claims to the Group.

Current underwriting year

Claims costs have risen over time, reflecting a shift in the underlying risk profile. The current portfolio includes a higher proportion of new-to-scheme and younger customers, often located in higher-risk geographies, as the Motability fleet continues to expand. In addition, the average vehicle age has reduced as new deliveries increase and existing customers renew their leases.

Prior underwriting years

Projected ultimate claims for all underwriting years prior to 2024/25 have increased, primarily due to a deterioration in the expected cost of bodily injury claims. This has been partially offset by a more favourable outlook for very large claims following the revision of the Ogden discount rate. Volatility remains, driven by the combined effects of the new Ogden rate (+0.5%), the updated Judicial College Guidelines (averaging a 22% uplift), the introduction of a new Whiplash tariff in 2025, and ongoing uncertainty around future care cost inflation.

Estimate of ultimate claims cost net of reinsurance	Underwriting year 2020 £m	Underwriting year 2021 £m	Underwriting year 2022 £m	Underwriting year 2023 £m	Underwriting year 2024 £m	Underwriting year 2025 £m	Total £m
At end of reporting year	209.7	220.6	289.8	311.1	548.5	683.1	
One year later	209.0	220.2	278.1	308.3	554.8		
Two years later	206.6	215.8	284.1	313.8			
Three years later	205.0	216.0	283.4				
Four years later	206.1	216.5					
Five years later	206.0						
Current estimate of cumulative claims	206.0	216.5	283.4	313.8	554.8	683.1	2,257.6
Cumulative payments to date	(230.7)	(239.3)	(298.4)	(331.7)	(555.1)	(458.5)	(2,113.7)
Rebates	26.4	26.7	28.0	27.4	7.4	–	115.9
Claims reserves included in the balance sheet, net of recoveries	1.7	3.9	13.0	9.5	7.1	224.6	259.8
Claims reserves in respect of prior periods							1.6
Total net liability included in the statement of financial position							**261.4**
Comprises:							
Specific claims reserves including IBNR							1,323.2
Third-party recoveries reserve							(134.0)
Reinsurance recoveries reserve							(927.8)
Total							**261.4**

Overall, the estimate of ultimate claims costs net of reinsurance for prior periods has decreased slightly. While movements in projected ultimate losses vary by underwriting year, the aggregate change is minimal, indicating overall stability after applying reinsurance.

Movements in insurance liabilities

	2025 Gross £m	2025 Recoveries £m	2025 Net £m	2024 Gross £m	2024 Recoveries £m	2024 Net £m
Claims						
Notified claims including IBNR	830.0	(531.2)	298.8	738.8	(451.6)	287.2
Notified claims recoveries	(85.3)	–	(85.3)	(72.5)	–	(72.5)
Total at beginning of year	**744.7**	**(531.2)**	**213.5**	**666.3**	**(451.6)**	**214.7**
Cash paid for claims settled						
In the year	(669.9)	63.8	(606.1)	(679.8)	53.8	(626.0)
Movement in liabilities						
Current year claims including IBNR	845.0	(162.0)	683.0	816.0	(191.7)	624.3
Prior year claims	4.8	(33.8)	(29.0)	(57.7)	58.3	0.6
Impact of change to gross presentation*	264.6	(264.6)	–	–	–	–
Total at end of year	**1,189.2**	**(927.8)**	**261.4**	**744.8**	**(531.2)**	**213.6**
Notified claims including IBNR	1,323.2	(927.8)	395.4	830.0	(531.2)	298.8
Notified claims recoveries	(134.0)	–	(134.0)	(85.3)	–	(85.3)
Total at end of year	**1,189.2**	**(927.8)**	**261.4**	**744.7**	**(531.2)**	**213.5**

* This includes the impact on the gross insurance liabilities from moving to presenting 100% of the insurance book in the current year. This figure represents the adjustment as at 30 Sept 2025.

Notified claims recoveries and reinsurance on notified claims are included within insurance receivables.

Notes to the financial statements continued

25. Financial liabilities

	2025 Group £m	2024 Group £m	2025 Company £m	2024 Company £m
Current				
Accrued interest and coupon	144.5	93.9	152.0	93.9
Cash in the course of transmission	144.5	169.5	–	–
Debt issued under the Euro Medium Term Note Programme (less unamortised discount and transaction costs)	823.3	416.2	823.3	416.2
Loans from Group companies	–	–	218.8	–
Provision for restoration works*	2.8	–	–	–
Right-of-use asset lease liabilities	3.3	3.2	–	–
Total current	**1,118.4**	**682.8**	**1,194.1**	**510.1**
Non-current				
Bank loans	399.1	399.0	399.1	399.0
Debt issued under the Euro Medium Term Note Programme (less unamortised discount and transaction costs)	10,904.8	9,946.1	10,904.8	9,946.1
Preference shares	–	10.0	–	10.0
Provision for restoration works*	3.8	6.3	–	–
Right-of-use asset lease liabilities	18.6	22.0	–	–
Total non-current	**11,326.3**	**10,383.4**	**11,303.9**	**10,355.1**
Total	**12,444.7**	**11,066.2**	**12,498.0**	**10,865.2**
The financial liabilities are repayable as follows:				
On demand or no later than one year	1,118.4	682.8	1,194.1	510.1
Later than one year and no later than two years	301.8	802.1	299.5	798.8
Later than two years and no later than five years	2,724.5	2,105.1	2,714.4	2,092.7
Later than five years	8,300.0	7,476.2	8,290.0	7,463.6
Total	**12,444.7**	**11,066.2**	**12,498.0**	**10,865.2**

* 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.

All borrowings are denominated in (or swapped into) Sterling.

Bank borrowings

All bank borrowings as at 30 September 2025 and 2024 are at floating rates.

As at 30 September 2025 the Group has the following principal bank loans:

- a five-year term loan of £0.4bn taken out on 31 October 2022, extended for a second, and final, time by one year effective 31 October 2024
- a five-year revolving credit facility of £1.5bn taken out on 31 October 2022, extended for a second, and final, time by one year effective 31 October 2024 of which £nil was drawn on 30 September 2025 (2024: £nil). The facility repayment date is 31 October 2029

All bank borrowings carry overnight SONIA interest rates plus bank margins at a market rate

Loans from Group companies

During the year MO Reinsurance Limited issued a loan to the Company. The loan has a five-year term but can be repayable on written demand by the lender with five days' notice. The loan bears interest at floating rate of SONIA plus 0.75%.

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:

	Issue date	Expiry date	Coupon rate %	Bond value currency m	Hedged value £m	30 September 2025 £m	30 September 2024 £m
Eurobond	14 March 2017	14 March 2025	0.875	€500.0	433.8	–	416.2
Eurobond	03 July 2019	03 January 2026	0.375	€600.0	538.2	523.6	499.4
Sterling bond	16 July 2014	16 July 2026	3.750			299.8	299.5
Sterling bond	08 February 2012	08 February 2027	4.375			299.5	299.1
Eurobond	20 January 2021	20 July 2028	0.125	€500.0	445.0	436.1	415.9
Sterling bond	03 July 2019	03 July 2029	1.750			397.5	396.8
Eurobond	24 January 2024	24 July 2029	3.625	€700.0	600.6	610.2	581.8
Sterling bond	29 November 2010	29 November 2030	5.625			299.4	299.3
Eurobond	17 June 2024	17 January 2030	4.000	€1,000.0	845.5	871.6	831.2
Eurobond	17 January 2023	17 July 2031	3.500	€500.0	441.9	435.8	415.6
Sterling bond	14 March 2017	14 March 2032	2.375			347.3	346.9
Eurobond	22 January 2025	22 January 2033	3.625	€750.0	631.7	653.4	0.0
Eurobond	24 January 2024	24 January 2034	3.875	€1,000.0	858.0	871.5	831.2
Sterling bond	11 September 2023	11 September 2035	5.625			246.9	246.6
Eurobond	17 June 2024	17 June 2035	4.250	€1,000.0	845.5	871.4	831.1
Sterling bond	10 March 2016	10 March 2036	3.625			593.7	593.1
Eurobond	22 January 2025	22 January 2037	4.000	€650.0	547.5	566.3	0.0
Sterling bond	03 July 2019	03 July 2039	2.375			491.8	491.2
Sterling bond	20 January 2021	20 January 2041	1.500			345.1	344.7
Sterling bond	18 January 2022	18 January 2042	2.125			490.0	489.4
Sterling bond	17 January 2023	17 January 2043	4.875			347.5	347.4
Sterling bond	22 January 2025	22 January 2045	6.250			343.4	0.0
Sterling bond	11 September 2023	11 September 2048	5.750			397.5	397.4
Sterling bond	17 June 2024	17 June 2051	5.750			493.5	493.3
Sterling bond	24 January 2024	24 January 2054	5.625			495.3	495.2
						11,728.1	**10,362.3**

The repayment obligation in respect of Eurobonds is hedged by cross-currency swap contracts (note 26) for the purchase of Euro and sale of Sterling (as shown above where relevant), and is carried in the balance sheet net of the unamortised balance of the issuance costs.

Notes to the financial statements continued

25. Financial liabilities continued

Debt issued under the Euro Medium Term Note Programme continued

The Company has a £15.0bn 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 £15.0bn 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.

The weighted average interest rates on borrowings as at 30 September 2025 and 30 September 2024 were as follows:

	2025 Group %	2024 Group %	2025 Company %	2024 Company %
Current bank loans and overdrafts	–	–	–	–
Loans from Group companies	–	–	5.1	–
Non-current bank loans	4.7	5.7	4.7	5.7
Non-current debt issued under the Euro Medium Term Note Programme	4.4	4.1	4.4	4.1
Non-current preference shares	–	7.0	–	7.0

At 30 September 2025 and 30 September 2024, the Group had the following undrawn committed borrowing facilities:

	2025 Group £m	2024 Group £m	2025 Company £m	2024 Company £m
Working capital facility	100.0	100.0	100.0	100.0*
Revolving credit facility	1,500.0	1,500.0	1,500.0	1,500.0
Total	**1,600.0**	**1,600.0**	**1,600.0**	**1,600.0**

* 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:

	2025 Group £m	2024 Group £m	2025 Company £m	2024 Company £m
No later than one year	–	–	–	–
Later than one year and no later than two years	100.0	100.0	100.0	100.0
Later than two years and no later than five years	1,500.0	1,500.0	1,500.0	1,500.0
Total	**1,600.0**	**1,600.0**	**1,600.0**	**1,600.0**

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 IFRS 9). 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.

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 2025, the Eurobond debt liability was increased by £92.9m (30 September 2024: was decreased by £179.8m). This movement of £272.8m is a result of Sterling weakening against the Euro to 1.15 (2024: 1.20). The associated assets and liabilities relating to derivatives at 30 September 2025 were a net asset of £114.8m (30 September 2024: net liability of £162.0m). This movement of £276.8m is a result of an increase in net asset valuation. The net valuation difference, taken to hedging reserves, at 30 September 2025 is therefore an asset of £21.9m which, after tax at 25%, leads to a hedging reserve of £16.3m.

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 Group repaid the preference shares in full on the 31 December 2024. The preference shares were cancelled upon completion of the purchase.

Notes to the financial statements continued

26. Derivative financial instruments

	Group 2025 Fair value £m	Group 2025 Notional amounts £m	Company 2025 Fair value £m	Company 2025 Notional amounts £m
Cash flow hedges				
Cross-currency swaps	115.8	5,753.9	115.8	5,753.9
Interest rate swaps	(1.0)	400.0	(1.0)	400.0
Total	**114.8**	**6,153.9**	**114.8**	**6,153.9**
Included in non-current liabilities	(0.6)	200.0	(0.6)	200.0
Included in current liabilities	(13.8)	738.2	(13.8)	738.2
Derivative financial instrument liabilities	**(14.4)**	**938.2**	**(14.4)**	**938.2**
Included in non-current assets	129.2	5,215.7	129.2	5,215.7
Included in current assets	–	–	–	–
Derivative financial instrument assets	**129.2**	**5,215.7**	**129.2**	**5,215.7**

	Group 2024 Fair value £m	Group 2024 Notional amounts £m	Company 2024 Fair value £m	Company 2024 Notional amounts £m
Cash flow hedges				
Cross-currency swaps	(161.7)	5,008.5	(161.7)	5,008.5
Interest rate swaps	(0.4)	400.0	(0.4)	400.0
Total	**(162.1)**	**5,408.5**	**(162.1)**	**5,408.5**
Included in non-current liabilities	(146.2)	4,774.7	(146.2)	4,774.7
Included in current liabilities	(16.5)	433.8	(16.5)	433.8
Derivative financial instrument liabilities	**(162.7)**	**5,208.5**	**(162.7)**	**5,208.5**
Included in non-current assets	–	–	–	–
Included in current assets	0.6	200.0	0.6	200.0
Derivative financial instrument assets	**0.6**	**200.0**	**0.6**	**200.0**

Cross-currency swaps

The Company entered into cross-currency swap arrangements to hedge its currency rate risk on Eurobond debt as follows:

Issue date	Bond value Currency m	Coupon rate %	Hedged rate %
03 July 2019	€600.0	0.375	1.770
20 January 2021	€500.0	0.125	1.083
17 January 2023	€500.0	3.500	4.737
24 January 2024	€700.0	3.625	5.110
24 January 2024	€1,000.0	3.875	5.414
17 June 2024	€1,000.0	4.000	5.503
17 June 2024	€1,000.0	4.250	5.777
22 January 2025	€750.0	3.625	5.662
22 January 2025	€650.0	4.000	6.002

Interest rate swaps

At 30 September 2025, the fixed interest rate varied from 3.9745% to 4.4335% (2024: the fixed interest rate varied from 3.901% to 4.4335%) 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 2025 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.

	2025 Group £m	2024 Group £m	2025 Company £m	2024 Company £m
No later than one year	(84.9)	(79.1)	(84.9)	(79.1)
Later than one year and no later than three years	(164.3)	(119.4)	(164.3)	(119.4)
Later than three years and no later than five years	(121.5)	(110.6)	(121.5)	(110.6)
Later than five years	(182.0)	(121.3)	(182.0)	(121.3)
Total	**(552.7)**	**(430.4)**	**(552.7)**	**(430.4)**

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 depreciation £m	Short-term timing differences £m	Derivatives £m	Total £m
Net liability/(asset) at 1 October 2023	**573.0**	**(1.8)**	**4.2**	**575.4**
Credit to income	(151.0)	1.5	–	(149.5)
Charge to equity	–	–	0.3	0.3
Adjustment in respect of prior years	11.0	–	–	11.0
Net liability/(asset) at 1 October 2024	**433.0**	**(0.3)**	**4.5**	**437.2**
Credit to income	(60.2)	–	–	(60.2)
Charge to equity	–	–	1.0	1.0
Adjustment in respect of prior years	9.5	–	–	9.5
Net liability/(asset) at 30 September 2025	**382.3**	**(0.3)**	**5.5**	**387.5**

The format of the deferred tax table has been changed from the prior year, to improve the understanding of the accounts, by combining the headings of Accelerated tax depreciation and Accelerated depreciation under the heading Accelerated tax depreciation.

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.

Deferred tax has been recognised at 25% (2024: 25%) being the enacted main rate of corporation tax at the balance sheet date on which the deferred tax liability is expected to be settled.

The temporary differences mainly arise because capital allowances for fleet vehicles and tangible fixed assets are received at a higher rate than accounting depreciation charged under IFRSs. At the balance sheet date when measured to unwind at applicable rates as described above, this represents a deferred tax liability of £382.3m (2024: £433.0m).

As new vehicles are added to the fleet and ex-lease vehicles are sold this balance will be re-measured next year in March and September 2026.

Deferred tax not recognised

Deferred tax assets of £3.0m (FY24: £nil) have not been recognised in respect of UK tax losses and other temporary differences which can only be used to offset future capital gains. UK capital losses can be carried forward indefinitely.

No deferred tax has been recognised in respect of disallowed interest carried forward of £39.0m (2024: £nil) where it is not probable that the Group will be able to utilise in future periods. Tax relief for the interest will expire if not used within five years.

Company

Movement in deferred tax on derivatives:

	Derivatives £m
Asset at 1 October 2023	**4.2**
Charge to equity	0.3
Asset at 1 October 2024	**4.5**
Charge to equity	1.0
Asset at 30 September 2025	**5.5**

28. Ordinary share capital

The Company has one class of ordinary shares, which carry no rights to income.

	2025	2024
Authorised:		
100,000 (2024: 100,000) Ordinary shares of £1 each	**£100,000**	£100,000
Issued and fully paid:		
50,000 (2024: 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 share capital at par will be covenanted to Motability Foundation, the Charity.

The Company had 10,900,000 authorised 7% redeemable cumulative preference shares of £1 each, classified as a liability, of which 9,950,000 were in issue. These shares did not carry voting rights. The Group repaid the preference shares in full on the 31 December 2024. The preference shares were cancelled upon completion of the purchase. Further details are provided in note 25.

Notes to the financial statements continued

29. Cash (used in)/generated from operations

Reconciliation of (loss)/profit before tax to net cash flow from operating activities:

	2025 Group £m	2024 Group £m	2025 Company £m	2024 Company £m Restated*
(Loss)/profit before tax	(158.8)	(564.6)	104.3	78.1
Adjustments for:				
Depreciation and amortisation charge on corporate assets	24.9	27.7	–	–
Depreciation charge on operating lease assets	1,293.2	1,176.1	–	–
Impairment (reversal)/loss on assets used in operating leases	(30.0)	348.8	–	–
Impairment (reversal)/loss on financial assets at amortised cost	(0.4)	0.2	–	–
Finance costs/(income)	525.5	361.7	(57.7)	(43.2)
Gains on disposal of inventory (former operating lease assets)	(21.9)	(73.9)	–	–
Losses on operating lease assets written off through insurance	93.0	71.4	–	–
Losses/(gains) on disposal of corporate assets	0.5	(0.2)	–	–
Increase in provision for restoration works	0.3	0.7	–	–
Increase in inventory write down	6.3	–	–	–
Increase in bad debt provisions	5.5	1.7	–	–
Operating cash flows before movements in working capital	**1,738.1**	**1,349.6**	**46.6**	**34.9**
Purchase of assets held for use in operating leases	(6,463.3)	(8,127.7)	–	–
Proceeds from sale of assets held for use in operating leases	3,554.4	3,961.7	–	–
Proceeds from insurance reimbursements of operating lease assets written off	81.9	81.0	–	–
Charitable donations paid	0.3	0.2	–	–
Increase in insurance receivables	(13.5)	(29.2)	–	–
Decrease/(increase) in other receivables	59.6	(301.7)	(31.9)	0.1
Increase in deferred rental income	142.0	316.5	–	–
Increase in provision for customer rebates	18.9	15.5	–	–
Increase/(decrease) in provision for net insurance claims	48.0	(1.3)	–	–
Increase in insurance payables	33.2	30.2	–	–
(Decrease)/increase in payables	(21.2)	43.6	(396.3)	1,000.7
Cash (used in)/generated from operations	**(821.6)**	**(2,661.6)**	**(381.6)**	**1,035.7**

* Comparative information has been restated due to a change in classification. Refer to note 2 for details.

The value of gains from disposal of fully terminated leases included in gains on disposal of inventory (former operating lease assets) is a £5.7m gain (2024: £8.9m gain).

30. Analysis of changes in net debt

Group

	At 1 October 2024 £m	Cash flows £m	Foreign exchange £m	Fair value movements £m	Amortisation of premiums and discounts and provision charge £m	At 30 September 2025 £m
Cash and cash equivalents	1,319.6	(109.7)	–	–	–	1,209.9
Bank overdrafts and cash in the course of transmission	(169.5)	25.0	–	–	–	(144.5)
Borrowings due within one year	-	–	–	–	–	–
Borrowings due after one year	(399.0)	–	–	–	(0.1)	(399.1)
Debt issued under the Euro Medium Term Note Programme	(10,362.3)	(1,086.5)	(272.9)	–	(6.4)	(11,728.1)
Derivative financial instruments	(162.1)	–	–	276.9	–	114.8
Preference shares	(10.0)	10.0	–	–	–	–
Provision for restoration works	(6.3)	–	–	(0.3)	–	(6.6)
Right-of-use asset lease liabilities	(25.2)	4.0	–	–	(0.7)	(21.9)
Financing activities	**(10,964.9)**	**(1,072.5)**	**(272.9)**	**276.6**	**(7.2)**	**(12,040.9)**
Total net debt	**(9,814.8)**	**(1,157.2)**	**(272.9)**	**276.6**	**(7.2)**	**(10,975.5)**

	At 1 October 2023 £m	Cash flows £m	Foreign exchange £m	Fair value movements £m	Amortisation of premiums and discounts and provision charge £m	At 30 September 2024 £m
Cash and cash equivalents	186.8	1,132.8	–	–	–	1,319.6
Bank overdrafts and cash in the course of transmission	(106.5)	(63.0)	–	–	–	(169.5)
Cash and cash equivalents	**80.3**	**1,069.8**	**–**	**–**	**–**	**1,150.1**
Borrowings due within one year	(150.0)	150.0	–	–	–	-
Borrowings due after one year	(399.0)	–	–	–	–	(399.0)
Debt issued under the Euro Medium Term Note Programme	(6,365.3)	(4,132.6)	141.1	–	(5.5)	(10,362.3)
Derivative financial instruments	(22.2)	–	–	(139.9)	–	(162.1)
Preference shares	(10.0)	–	–	–	–	(10.0)
Provision for restoration works	(5.6)	–	–	(0.7)	–	(6.3)
Right-of-use asset lease liabilities	(15.5)	4.0	–	(12.9)	(0.8)	(25.2)
Financing activities	**(6,967.6)**	**(3,978.6)**	**141.1**	**(153.5)**	**(6.3)**	**(10,964.9)**
Total net debt	**(6,887.3)**	**(2,908.8)**	**141.1**	**(153.5)**	**(6.3)**	**(9,814.8)**

Notes to the financial statements continued

30. Analysis of changes in net debt continued

Group continued

	2025 Group £m	2024 Group £m
Cash and cash equivalents	1,209.9	1,319.6
Derivative financial instruments	114.8	(162.1)
Current financial liabilities	(1,118.4)	(682.8)
Non-current financial liabilities	(11,326.3)	(10,383.4)
Total	**(11,120.0)**	**(9,908.7)**
Less interest accruals included in financial liabilities	144.5	93.9
Total net debt	**(10,975.5)**	**(9,814.8)**

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 one year (Bristol), eight years (London) and eleven 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 right-of-use asset lease liabilities.

During the year there has been no expenditure on short-term or low-value leases as defined by IFRS 16, and no material 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

	2025 £m	2024 £m
No later than one year	4.0	4.0
Later than one year and no later than five years	11.3	12.5
Later than five years and no later than ten years	8.5	10.6
Later than ten years	0.8	1.5
Total undiscounted cash flows	**24.6**	**28.6**
Current	**4.0**	**4.0**
Non-current	**20.6**	**24.6**

The total cash outflow for leases during the year was £4.0m (2024: £4.0m).

Amounts recognised in the income statement

	2025 £m	2024 £m
Depreciation on the right-of-use assets	3.4	3.8
Interest expense	0.7	0.8
Total	**4.1**	**4.6**

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 2025 amounted to £12,798,571 (2024: £11,881,568). Net contributions due at the balance sheet date were £1,352,155 (2024: £131,848).

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 1 to 42.

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 is set out on pages 13, 14, 32 and 33.

Transactions

During the year the Group made a charitable donation of £nil to Motability Foundation, the Charity (2024: £nil 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; £0.2m (2024: £0.4m) of bank charges were also paid during the year). Additionally, total fees of £0.7m (2024: £0.8m) were due to the shareholder banks in proportion to their shareholdings for management services.

During the year the Company received no dividend payment (2024: £nil) from MO Reinsurance Limited. The Company expensed preference share interest of £0.2m (2024: £0.7m) in respect of preference shares held by the shareholder banks. No payments were made in the year (2024: £0.7m); the amount remains outstanding at 30 September 2025 and included in financial liabilities. The Group repaid the preference shares in full on the 31 December 2024. The preference shares were cancelled upon completion of the purchase. Further details are provided in note 25.

At 30 September 2025, £1,104.3m of cash and cash equivalents were held with shareholder banks (30 September 2024: £1,285.8m). During the year the Group received interest payments on these cash deposits totalling £24.1m (2024: £16.3m).

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 £5.7m in relation to bond issuances (2024: £15.3m).

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 £1.3m (2024: net receipt of £4.0m) in respect of interest rate swaps, and a net payment of £100.9m (2024: net payment of £26.3m) in respect of cross-currency swaps.

During the year MO Reinsurance Limited issued a loan of £218.8m (2024: £nil) to the Company. The loan has a five-year term but is repayable on written demand by the lender with five days' written notice. The loan bears interest at floating rate of SONIA plus 0.75%. During the year the Company paid interest of £7.5m (2024: £nil) to MO Reinsurance Limited. The loan balance at 30 September 2025 was £218.8m (2024: £nil).

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.

Notes to the financial statements continued

33. Related parties continued

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'.

	2025 £m	2024 £m
Short-term employee benefits	7.7	6.4
Post-employment benefits	0.4	0.3
Other long-term benefits	1.2	1.0
Total	**9.3**	**7.7**

34. Directors' remuneration

During the year there was one executive director (2024: one) accruing benefits under a money purchase pension scheme.

	2025 £	2024 £
Highest-paid Director		
Salary	501,274	460,076
Performance-related payments	219,032	197,888
Vesting of deferred bonuses	107,625	–
Payments in lieu of pension*	75,191	69,011
Benefits	21,301	20,699
Aggregate emoluments in respect of qualifying services	**924,423**	**747,674**
Pension contributions under money purchase pension schemes	-	–
All Directors		
Salary	1,505,854	1,436,488
Performance-related payments	376,544	311,446
Vesting of deferred bonuses	253,425	273,573
Payments in lieu of pension*	118,247	115,114
Benefits	53,638	45,819
Aggregate emoluments in respect of qualifying services	**2,307,708**	**2,182,440**
Pension contributions under money purchase pension schemes	**15,000**	**10,000**

* 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

The UK government's 2025 Autumn Statement, announced on 26 November 2025, included some provisions that will impact the Group, the most significant of which are as follows:

- Restrictions will be placed on criteria for future vehicle eligibility on the Motability Scheme, such that premium brand vehicles and models will no longer be available on the Scheme
- Additional Payments made by Motability customers over and above rental payments covered by eligible allowances, which are currently zero-rated, will be subject to VAT at the standard rate of 20%
- The current exemption from paying Insurance Premium Tax (IPT) on the insurance provided by the Group will be removed

Both of the tax changes above will apply only to new leases from 1 July 2026 and will not impact extant leases. VAT on rental payments covered by eligible welfare benefits and VAT on disposal proceeds of ex-lease vehicles will continue to be zero-rated. VAT reliefs will remain in place for vehicles substantially and permanently adapted for wheelchair and stretcher users and for scooters and motorised wheelchairs; and a new structural relief will be introduced for IPT to reflect those VAT reliefs.

These changes will impact the Group's overall cost base, and potentially Scheme affordability for some customers. The Group remains committed to the financial sustainability of the Scheme to safeguard our long-term ability to meet the needs of disabled people; and none of these changes will compromise our robust business model. It is not possible to estimate reliably the overall financial effect of these changes on the Scheme, as the Group's assessment of measures to mitigate the impact of such is ongoing.

There have been no other events arising after the reporting date that require recognition or disclosure in the financial statements for the year ended 30 September 2025.

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 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
- 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.

Notes to the financial statements continued

36. Funding and financial risk management continued

Capital risk management continued

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 2025 the ratio was 1.49:1, 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.

Categories of financial instruments

Carrying value

	2025 Group £m	2024 Group £m	2025 Company £m	2024 Company £m
Non-derivative financial assets measured at amortised cost				
Financial assets at amortised cost	133.2	230.4	–	–
Trade receivables	262.2	256.0	–	–
Loans to other Group companies	–	–	12,103.9	11,008.5
Cash and cash equivalents	1,209.9	1,319.6	956.2	1,236.5
Total non-derivative financial assets	**1,605.3**	**1,806.0**	**13,060.1**	**12,245.0**
Non-derivative financial liabilities measured at amortised cost				
Trade and other payables	(316.3)	(337.5)	(537.9)	(934.1)
Financial liabilities	(12,444.7)	(10,865.2)	(12,498.0)	(10,865.2)
Total non-derivative financial liabilities	**(12,761.0)**	**(11,202.7)**	**(13,035.9)**	**(11,799.3)**
Net non-derivative financial instruments at amortised cost	**(11,155.7)**	**(9,396.7)**	**24.2**	**445.7**
Derivative financial instruments measured at fair value through other comprehensive income				
Interest rate swaps	(1.0)	(0.4)	(1.0)	(0.4)
Cross-currency swaps	115.8	(161.6)	115.8	(161.6)
Total derivative financial instruments	**114.8**	**(162.0)**	**114.8**	**(162.0)**
Total financial instruments	**(11,040.9)**	**(9,558.7)**	**139.0**	**283.7**

Fair value of financial instruments

Group

	2025 Carrying value £m	2025 Fair value £m	2024 Carrying value £m	2024 Fair value £m
Cash and cash equivalents(I)	1,209.9	1,209.9	1,319.6	1,319.6
Trade receivables(II)	262.2	262.2	256.0	256.0
Financial assets at amortised cost(III)	133.2	130.6	230.4	227.3
Trade and other payables(II)	(316.3)	(316.3)	(337.5)	(337.5)
Bank overdrafts(IV)	–	–	–	–
Cash in the course of transmission and accrued interest and coupon(II)	(289.0)	(289.0)	(263.3)	(263.3)
Bank loans – current(IV)	–	–	–	–
Bank loans – non-current(IV)	(399.1)	(399.1)	(399.0)	(399.0)
Debt issued under the Euro Medium Term Note Programme* (III)	(11,728.1)	(10,931.2)	(10,362.3)	(9,902.2)
Redeemable preference share liabilities(III)	–	–	(10.0)	(12.0)
Provision for restoration works(II)	(6.6)	(6.6)	(6.3)	(6.3)
Net non-derivative financial instruments	**(11,133.8)**	**(10,339.5)**	**(9,572.4)**	**(9,117.4)**
Interest rate swap – cash flow hedge	(1.0)	(1.0)	(0.4)	(0.4)
Cross-currency swap – cash flow hedge	115.8	115.8	(161.6)	(161.6)
Total financial instruments requiring fair value disclosure	**(11,019.0)**	**(10,224.7)**	**(9,734.4)**	**(9,279.4)**
Right-of-use asset lease liabilities(V)	(21.9)	n/a	(25.2)	n/a
Total	**(11,040.9)**	**(10,224.7)**	**(9,759.6)**	**(9,279.4)**

* 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).36.

Notes to the financial statements continued

36. Funding and financial risk management continued

Fair value of financial instruments continued

Company	2025 Carrying value £m	2025 Fair value £m	2024 Carrying value £m	2024 Fair value £m
Cash and cash equivalents(I)	956.2	956.2	1,236.5	1,236.5
Loans to other Group companies(IV)	12,103.9	12,103.9	11,008.5	11,008.5
Financial assets at amortised cost(III)	–	–	–	–
Trade receivables(II)	–	–	–	–
Trade and other payables(II)	(537.9)	(537.9)	(934.1)	(934.1)
Cash in the course of transmission and accrued interest and coupon(II)	(152.0)	(152.0)	(93.8)	(93.8)
Loans from Group companies(V)	(218.8)	(218.8)	–	–
Bank loans – current(IV)	–	–	–	–
Bank loans – non-current(IV)	(399.1)	(399.1)	(399.0)	(399.0)
Debt issued under the Euro Medium Term Note Programme* (III)	(11,728.1)	(10,931.2)	(10,362.3)	(9,902.2)
Redeemable preference share liabilities(III)	–	–	(10.0)	(12.0)
Net non-derivative financial instruments	**24.2**	**821.1**	**445.8**	**903.9**
Interest rate swap – cash flow hedge	(1.0)	(1.0)	(0.4)	(0.4)
Cross-currency swap – cash flow hedge	115.8	115.8	(161.6)	(161.6)
Total	**139.0**	**935.9**	**283.8**	**741.9**

* 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) Bearing interest at floating rate.

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 Group repaid the preference shares in full on 31 December 2024
- 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
- 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)

There are no Level 3 financial instruments in the Group and the Company.

Group 2025	Level 1 £m	Level 2 £m	Total £m
Non-derivative financial instruments			
Financial assets at amortised cost	133.2	–	133.2
Financial liabilities	(10,931.2)	–	(10,931.2)
	(10,798.0)	–	(10,798.0)
Derivative financial instruments			
Interest rate swaps	–	(1.0)	(1.0)
Cross-currency swaps	–	115.8	115.8
	–	114.8	114.8
Total	(10,798.0)	114.8	(10,683.2)

Group 2024	Level 1 £m	Level 2 £m	Total £m
Non-derivative financial instruments			
Financial assets at amortised cost	230.4	–	230.4
Financial liabilities	(9,902.2)	(12.0)	(9,914.2)
	(9,671.8)	(12.0)	(9,683.8)
Derivative financial instruments			
Interest rate swaps	–	(0.4)	(0.4)
Cross-currency swaps	–	(161.6)	(161.6)
	–	(162.0)	(162.0)
Total	(9,671.8)	(174.0)	(9,845.8)

Company 2025	Level 1 £m	Level 2 £m	Total £m
Non-derivative financial instruments			
Financial liabilities	(10,931.2)	–	(10,931.2)
	(10,931.2)	–	(10,931.2)
Derivative financial instruments			
Interest rate swaps	–	(1.0)	(1.0)
Cross-currency swaps	–	115.8	115.8
	–	114.8	114.8
Total	(10,931.2)	114.8	(10,816.4)

Notes to the financial statements continued

36. Funding and financial risk management continued

Fair value of financial instruments continued

Company 2024	Level 1 £m	Level 2 £m	Total £m
Non-derivative financial liabilities			
Financial liabilities	(9,902.2)	(12.0)	(9,914.2)
	(9,902.2)	(12.0)	(9,914.2)
Derivative financial instruments			
Interest rate swaps	–	(0.4)	(0.4)
Cross-currency swaps	–	(161.6)	(161.6)
	–	(162.0)	(162.0)
Total	**(9,902.2)**	**(174.0)**	**(10,076.2)**

Company nature and characteristics of financial instruments in the fair value tables

The fair values of cash and cash equivalents, 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 differences arise. The nature and characteristics of the Level 2 fair valued items, i.e. issued debt 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.

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 coordinating 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 inventory (former 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 2025 of £399.1m (2024: £399.0m).

Notes issued subject to fixed interest rates have a carrying value as at 30 September 2025 of £11,728.1m (2024: £10,362.3m).

The Group and the Company have two interest rate swaps of £200m and £200m maturing 16 February 2026 and 15 February 2027 (2024: two interest rate swaps of £200m and £200m maturing 14 February 2025 and 2026). Under the swaps, the Group and the Company pay fixed rates of 4.4335% and 3.9745% respectively (2024: 3.901% and 4.433% respectively).

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 £nil as at 30 September 2025 (2024: £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.

Notes to the financial statements continued

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.

	2025 Average contract fixed interest rate %	2024 Average contract fixed interest rate %	2025 Nominal principal amount £m	2024 Nominal principal amount £m	2025 Fair value £m	2024 Fair value £m
No later than one year	4.4	3.9	200.0	200.0	(0.4)	0.6
Later than one year and no later than two years	4.0	4.4	200.0	200.0	(0.6)	(1.0)
Later than two years and no later than five years	–	–	–	–	–	–
Later than five years	–	–	–	–	–	–
Total			**400.0**	**400.0**	**(1.0)**	**(0.4)**

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.

	2025 Contract fixed GBP interest rate %	2024 Contract fixed GBP interest rate %	2025 Nominal principal amount £m	2024 Nominal principal amount £m	2025 Fair value £m	2024 Fair value £m
No later than one year	1.8	2.1	538.2	433.8	(13.5)	(16.5)
Later than one year and no later than two years	–	2.0	–	538.2	–	(35.2)
Later than two years and no later than five years	4.3	3.4	1,891.1	1,045.6	54.1	(31.2)
Later than five years	5.6	5.4	3,324.6	2,990.9	75.2	(78.6)
Total			**5,753.9**	**5,008.5**	**115.8**	**(161.5)**

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.

Notes to the financial statements continued

36. Funding and financial risk management continued

Credit risk management continued

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 the Treasury Operations Group and Risk 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 Treasury Operations Group and Risk 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 2025 and 2024, and the highest limit and utilisation during the year attributable to banks/financial institutions. The counterparty credit limit as at 30 September was £3,769.3m (2024: £2,490.0m) and its utilisation £1,233.7m (2024: £1,317.0m). The maximum counterparty credit limit for the calendar year was £3,769.3m (2024: £3,090.0m) and its utilisation £2,452.2m (2024: £2,488.9m)

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.

Concentration of credit risk

Financial assets at amortised cost

The Group's investment portfolio is considered to be invested in a sufficiently diverse range of sectors.

The Group has a panel of reinsurers which limits the Group's exposure to any one loss and in the aggregate these various reinsurance arrangements result in recognised reimbursement assets of £927.8m (2024: £531.1m). The value of these reimbursement assets is intrinsically linked to the insurance liability to which they relates. These assets expose the Group to credit risk from the reinsurers, principally DLG. That risk is assessed as being low due to DLG's strong credit rating (Moody's A2 positive as at the date these financial statements were signed). The Company monitors DLG's credit rating on a regular basis. The maximum concentration of credit risk on a worst-case basis to any one reinsurer would be £264,640,000.

Cash and cash equivalents 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).

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 of at least 20% above the 12-month projected growth in the Group's funding requirement. The Group has a five-year bank term loan with three years until maturity and a five-year revolving credit facility with three 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 10.28 years, provide increased sustainability and diversity to the Group's funding profile.

The Group continuously monitors forecast and actual cash flows. Included in note 25 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.

The contractual maturity analysis for the right-of-use lease liabilities is disclosed in note 31.

Group	Weighted average interest rate %	Under 1 year £m	Between 1-3 years £m	Between 3-5 years £m	Over 5 years £m	2025 Total £m
Bank loans – variable interest rate	4.5	(18.5)	(35.2)	(420.7)	–	(474.4)
Debt issued under the Euro Medium Term Note Programme – fixed interest rate	4.4	(1,348.9)	(1,716.5)	(2,737.8)	(11,712.3)	(17,515.5)
Cash in the course of transmission		(144.5)	–	–	–	(144.5)
Redeemable preference shares – fixed interest rate*	7.0	(0.2)	–	–	–	(0.2)
Provision for restoration works		(2.8)	–	(2.7)	(1.1)	(6.6)
Trade and other payables – non-interest bearing		(316.3)	–	–	–	(316.3)
Total		**(1,831.2)**	**(1,751.7)**	**(3,161.2)**	**(11,713.4)**	**(18,457.5)**

Group	Weighted average interest rate %	Under 1 year £m	Between 1-3 years £m	Between 3-5 years £m	Over 5 years £m	2024 Total £m
Bank loans – variable interest rate	4.2	(19.4)	(32.8)	(32.6)	–	(84.8)
Debt issued under the Euro Medium Term Note Programme – fixed interest rate	4.1	(862.9)	(1,957.3)	(2,222.4)	(10,733.1)	(15,775.7)
Cash in the course of transmission		(169.5)	–	–	–	(169.5)
Redeemable preference shares – fixed interest rate*	7.0	(0.7)	(1.4)	(1.4)	(11.3)	(14.8)
Provision for restoration works		–	(2.7)	(2.6)	(1.0)	(6.3)
Trade and other payables – non-interest bearing		(337.5)	–	–	–	(337.5)
Total		**(1,390.0)**	**(1,994.2)**	**(2,259.0)**	**(10,745.4)**	**(16,388.6)**

Notes to the financial statements continued

36. Funding and financial risk management continued

Liquidity risk management continued

Company	Weighted average interest rate %	Under 1 year £m	Between 1-3 years £m	Between 3-5 years £m	Over 5 years £m	2025 Total £m
Bank loans – variable interest rate	4.5	(18.5)	(35.2)	(420.7)	–	(474.4)
Debt issued under the Euro Medium Term Note Programme – fixed interest rate	4.4	(1,348.9)	(1,716.5)	(2,737.8)	(11,712.3)	(17,515.5)
Redeemable preference shares – fixed interest rate*	7.0	(0.2)	–	–	–	(0.2)
Loans from Group companies	4.4	(228.4)	–	–	–	(228.4)
Trade and other payables – non-interest bearing		(537.9)	–	–	–	(537.9)
Total		**(2,133.9)**	**(1,751.7)**	**(3,158.5)**	**(11,712.3)**	**(18,756.4)**

Company	Weighted average interest rate %	Under 1 year £m	Between 1-3 years £m	Between 3-5 years £m	Over 5 years £m	2024 Total £m
Bank loans – variable interest rate	4.2	(19.4)	(32.8)	(32.6)	–	(84.8)
Debt issued under the Euro Medium Term Note Programme – fixed interest rate	4.1	(862.9)	(1,957.3)	(2,222.4)	(10,733.1)	(15,775.7)
Redeemable preference shares – fixed interest rate*	7.0	(0.7)	(1.4)	(1.4)	(11.3)	(14.8)
Loans from Group companies		–	–	–	–	–
Trade and other payables – non-interest bearing		(934.1)	–	–	–	(934.1)
Total		**(1,817.1)**	**(1,991.5)**	**(2,256.4)**	**(10,744.4)**	**(16,809.4)**

* 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 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 2025	Weighted average interest rate %	Under 1 year £m	Between 1-3 years £m	Between 3-5 years £m	Over 5 years £m	Total £m
Interest rate swaps	4.2	200.0	200.0	–	–	400.0
Cross-currency swaps	4.8	538.2	445.0	1,446.1	3,324.6	5,753.9
Total		**738.2**	**645.0**	**1,446.1**	**3,324.6**	**6,153.9**

Group 2024	Weighted average interest rate %	Under 1 year £m	Between 1-3 years £m	Between 3-5 years £m	Over 5 years £m	Total £m
Interest rate swaps	4.2	0.4	(0.8)	–	–	(0.4)
Cross-currency swaps	4.3	(79.6)	(118.6)	(110.6)	(121.3)	(430.1)
Total		**(79.2)**	**(119.4)**	**(110.6)**	**(121.3)**	**(430.5)**

Company 2025	Weighted average interest rate %	Under 1 year £m	Between 1-3 years £m	Between 3-5 years £m	Over 5 years £m	Total £m
Interest rate swaps	4.2	200.0	200.0	–	–	400.0
Cross-currency swaps	4.8	538.2	445.0	1,446.1	3,324.6	5,753.9
Total		**738.2**	**645.0**	**1,446.1**	**3,324.6**	**6,153.9**

Company 2024	Weighted average interest rate %	Under 1 year £m	Between 1-3 years £m	Between 3-5 years £m	Over 5 years £m	Total £m
Interest rate swaps	4.2	0.4	(0.8)	–	–	(0.4)
Cross-currency swaps	4.3	(79.6)	(118.6)	(110.6)	(121.3)	(430.1)
Total		**(79.2)**	**(119.4)**	**(110.6)**	**(121.3)**	**(430.5)**

The following tables detail the Group and the Company's expected maturity for its non-derivative financial assets. The tables have been drawn up based on the undiscounted contractual maturities of the financial assets including the interest that will be earned on those assets, except where the Group and the Company anticipate that the cash flow will occur in a different period. Apart from financial assets at amortised cost and loans to Group companies, the non-derivative financial assets are anticipated to mature within one year.

Group 2025	Weighted average interest rate %	Under 1 year £m	Between 1-3 years £m	Between 3-5 years £m	Over 5 years £m	Total £m
Financial assets at amortised cost – fixed interest rate	2.1	73.7	37.4	22.0	–	133.1
Trade receivables – non-interest bearing	–	262.2	–	–	–	262.2
Cash and cash equivalents– non-interest bearing	–	1,209.9	–	–	–	1,209.9
Total		**1,545.8**	**37.4**	**22.0**	**–**	**1,605.2**

Notes to the financial statements continued

36. Funding and financial risk management continued

Liquidity risk management continued

Group 2024	Weighted average interest rate %	Under 1 year £m	Between 1-3 years £m	Between 3-5 years £m	Over 5 years £m	Total £m
Financial assets at amortised cost – fixed interest rate	1.9	93.0	105.0	23.0	8.9	229.9
Trade receivables – non-interest bearing	–	256.0	–	–	–	256.0
Cash and cash equivalents – non-interest bearing	–	1,319.6	–	–	–	1,319.6
Total		**1,668.6**	**105.0**	**23.0**	**8.9**	**1,805.5**

Company 2025	Weighted average interest rate %	Under 1 year £m	Between 1-3 years £m	Between 3-5 years £m	Over 5 years £m	Total £m
Financial assets at amortised cost – fixed interest rate	–	–	–	–	–	–
Trade receivables – non-interest bearing	–	–	–	–	–	–
Loans to other Group companies	5.2	607.0	1,225.9	1,274.1	13,413.7	16,520.7
Total		**607.0**	**1,225.9**	**1,274.1**	**13,413.7**	**16,520.7**

Company 2024	Weighted average interest rate %	Under 1 year £m	Between 1-3 years £m	Between 3-5 years £m	Over 5 years £m	Total £m
Financial assets at amortised cost – fixed interest rate	–	–	–	–	–	–
Trade receivables – non-interest bearing	–	–	–	–	–	–
Loans to other Group companies	2.4	518.4	1,054.0	1,087.4	12,082.0	14,741.8
Total		**518.4**	**1,054.0**	**1,087.4**	**12,082.0**	**14,741.8**

Motability Operations group plc

Level 6
22 Bishopsgate
London
England
EC2N 4BQ

Registered in England & Wales
Company Number 06541091