Motability Operations group plc

Annual Report and Accounts 2024

Contents

See more about our business on our website.

Who we are

Motability Operations

2024 at a glance

800,000+
customers on the Motability Scheme

70,000+
Motability Scheme electric vehicles (EVs) on the road, with another +13,000 in the pipeline

1.375m
calls handled by our customer services teams, an increase of 25% from last year

600,000
customers with an online account, an increase of over 20% compared with the previous year

1,700+
colleagues across the business helping us to deliver the Motability Scheme

45,000+
users registered with the Motability Go Charge app and card

Our impact

£4.3bn*
total contribution to GDP (Gross Domestic Product)

*calculated by Oxford Economics

100k tCO_2e*
emissions removed by transitioning customers to an EV

*tonnes of carbon dioxide

* Technical note: Ipsos interviewed 6080 Motability Scheme Car customers online between 1 October 2024 to 20 October 2024. Data has been weighted to the profile of Motability Scheme Car Fleet customers.

Motability Operations

Our purpose

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

What we do

We run the Motability Scheme, where people receiving a qualifying disability allowance can choose an affordable and accessible vehicle.

We play an essential role in connecting our 800,000 disabled customers to work, healthcare, education and independence and provide unrivalled value. On average, the Motability Scheme is at least 45% cheaper than alternative options, and the all-inclusive package includes insurance, breakdown, tyres and servicing.

We invest any money we make from running the Motability Scheme back into our customers' mobility or by providing donations to the Motability Foundation.

Why is mobility important?

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

Yet, for many disabled people, there are many barriers. Since we were founded over 45 years ago, Motability Operations has provided more than five million customers with affordable transport solutions, empowering them to get around on their own terms. We are a key part of the automotive sector and play an essential role in helping electric vehicle (EV) infrastructure become more accessible and inclusive.

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 the About us section of our website.

Working with our customers to find solutions for the future

Our customers are at the heart of Motability Operations and as we work through the pressures of an ever-changing automotive landscape, they are always central to our strategy.

The past 12 months have presented many challenges for the business. Motoring costs, including insurance, are continuing to rise due to inflation and other supply chain pressures. Higher than expected customer growth means we're supporting a growing number of disabled people, and in turn, that welcome growth has increased the borrowing costs for the Motability Scheme. During this period, we're also navigating the transition to electric vehicles (EVs) and continuing to deliver the all-inclusive package we know our customers rely on.

I am proud of how our organisation has responded with resilience and optimism. Our commitment to our customers, our people and our purpose remains stronger than ever, and despite rising costs across the industry, our customers tell us that the Motability Scheme is still affordable and we represent good value for their money.

Today, the Motability Scheme is serving more customers than ever before, reaffirming its role as a crucial lifeline for many in the UK, who rely on accessible and affordable mobility. We continue to deliver high levels of customer service, presenting our customers with a unique proposition that we remain immensely proud of. In our latest Customer Satisfaction Index (CSI) survey, we scored 9.5 out of 10* on average for overall satisfaction with the Motability Scheme.

A more environmentally sustainable fleet

This year has also marked a significant shift towards a more environmentally sustainable fleet. With an increasing number of customers now choosing to lease an EV, we're committed to supporting our customers through this transition.
We understand that moving to an EV is a significant change, and our insight and research show us that there are even more barriers in the move to EVs for our disabled customers.

You can read more about this in the CEO statement on pages 9 to 11

Our growth and commitment to the financial sustainability of the Motability Scheme, and our mission to support our customers in the move to EV, would not be possible without the dedication and passion of our employees. Their hard work, professionalism and unwavering dedication to the Motability Scheme keep our customers moving. I am deeply grateful for their efforts, especially during such a demanding period.

In light of these pressures on the business, our strong relationship with the Motability Foundation has been even more important. It's wonderful that we have been able to continue working more closely with their team, including throughout the transition of leadership from Barry Le Grys, to whom we extend warm thanks, to Nigel Fletcher. We've strengthened our joint commitment to accessibility and inclusivity, so that together we can expand the Motability Scheme's impact and help more people enjoy the independence that mobility brings. I extend my sincere thanks to the Board and all our colleagues at the Foundation for their continued collaboration and support.

The Big Event, Edinburgh 2024

One of the personal highlights of the year for me was attending The Big Event in Edinburgh, where I had the privilege of meeting some of our customers, Motability Scheme Ambassadors, partners and our teams face-to-face. This event was a powerful reminder of the impact and the difference the Motability Scheme makes in people's lives. Seeing the comprehensive support package that we offer: from accessible vehicles to our personalised customer service, all under one roof, reinforced the importance of the work we do in keeping our customers moving.

* Technical note: Ipsos interviewed 6080 Motability Scheme Car customers online between 1 October 2024 to 20 October 2024. Data has been weighted to the profile of Motability Scheme Car Fleet customers.

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

"To our customers, thank you for trusting us with your mobility and for working with us, as we navigate the UK's transition to electric."

Future outlook

Looking forward, we continue our commitment to ensuring the sustainability of the Motability Scheme, so it can continue to serve future generations. Our focus on innovation and digital transformation will also play a crucial role in how we evolve. With an updated visual identity, digital optimisation and enhanced accessibility across our Motability Scheme communications channels, we're not just modernising, we're building a foundation that's flexible and future-focused. This will allow us to better meet the changing needs of our customers and ensure the Motability Scheme remains a trusted and valuable service.

In closing, I would like to extend my gratitude to our CEO, Andrew Miller, his Executive team, the Board, and the Motability Foundation for their leadership, guidance, support and partnership. Most importantly I would like to take this opportunity to thank every member of the Motability Operations team for their commitment and hard work.

To our customers, thank you for trusting us with your mobility and for working with us, as we navigate the UK's transition to electric.

As we look ahead to the coming year, I am confident that we will continue to be able to manage the Motability Scheme effectively, ensuring that we continue to provide our customers with as many options as we can throughout the transition.

Stephen O'Brien

Rt. Hon. Sir Stephen O'Brien KBE
Chairman

Our strategic framework

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.

Underpinning everything we do is our great customer service.

Our purpose	**We exist to deliver smart, sustainable solutions that improve our customers' mobility in a fast-changing world**		
Our pillars	**Keep delivering brilliantly for our customers**	**Lean into green**	**Find new and exciting products for our customers**
Our impact	**Impact and sustainability**		
Our priorities	**Affordability and choice**	**Valuing our people**	**Financial sustainability**
Our foundation	**Customer service**		

Our impact in 2024

Navigating a changing world while continuing to deliver good value for our customers

For over 45 years our focus has been on ensuring that our customers stay mobile. We do this by providing affordable vehicles and a range of services in our all-inclusive leasing package. In addition, we fix our prices for three years, so our customers don't see unexpected cost rises. But with the level of change in the market, driven by rising inflation, higher energy costs and the transition to EVs, drivers across the UK are seeing increasing costs and we are not immune to this. However, we remain focused on our purpose to deliver smart, sustainable solutions that improve our customers' mobility in a fast-changing world.

As a result of the zero emission vehicle (ZEV) mandate, we're seeing more EVs in the market and our EV fleet is currently in excess of 70,000 and continuing to grow. We have also seen the Motability Scheme customer base grow by 14.7% over the past 12 months.

The pace of change has been both a challenge and an opportunity. By welcoming more customers to the Motability Scheme, we can connect an increasing number of disabled people to the vehicles and services they need to be mobile, independent and access work and education. This growth is something we're incredibly proud of, as it reflects the success of the Motability Scheme. However, it has also brought increased running costs to the business, especially in light of the external factors influencing the broader market.

Our customers make the choice to exchange their mobility allowance with us, and it's our responsibility to ensure they have choice and the good value they expect from us. Our business model is sustainable, and we're committed to ensuring that no one is left behind, especially as we navigate the changes in the transport industry. The plans and investments outlined in this report demonstrate our commitment to providing mobility solutions to our customers, while ensuring the long-term success of the Motability Scheme for generations to come.

Balancing growth with delivering value

This year's challenging operating environment, together with the reduced value of second-hand vehicles, which affects the income we generate, and the volatility of the automotive and insurance markets, has meant that we have reported a pre-tax loss of £564.6m.

In order to provide a more meaningful presentation of business performance we have shown a reconciliation to the underlying result, which adjusts for movements in used-car values and the one-off EV and the New Vehicle Payment (NVP) investment programmes. Adjusting for these items, our underlying pre-tax loss is £130.3m.

See more in the CFO statement on pages 15 to 19

We remain confident in our underlying business performance and our priority remains providing good value and choice for all our customers as we take them through the EV transition.

Our business model is robust, and it has been designed for times like these. We're committed to the long-term sustainability of the Motability Scheme and we're also exploring ways to reduce the running costs.

While external costs such as energy prices, raw materials and vehicle manufacturing lead times are beyond our control, we're actively looking at every aspect of our own operation to ensure

Andrew Miller, Chief Executive, Motability Operations that we can continue to deliver a good value all-inclusive leasing package for our customers.

This includes not only optimising internal processes but also leveraging technology and innovation to deliver smarter, more cost-effective solutions. Nowhere is this more urgent than for our Wheelchair Accessible Vehicle (WAV) product and you can read more about this on page 27.

See our operating environment and reserves model on pages 13 and 14

We know that our customers rely on the Motability Scheme for their mobility, and that many of our customers would struggle to afford a vehicle or services like insurance anywhere else. The Motability Scheme's all-inclusive package is a cornerstone of the financial security and peace of mind we offer our customers.

Our lease price is fixed for at least three years and our model protects our customers from unexpected expenses during the period of their lease. External market volatility has made it challenging to keep these costs down this year. Across the market, insurance premiums have risen by more than 50% since 2022, largely driven by the rising cost of repairs. We have also seen additional insurance costs of £700 on average, per customer in a typical three-year lease. Our costs have also come under pressure from the growing number of customers on the Motability Scheme. Claims and their frequency can be higher with new and younger customers, as well as for brand-new vehicles.

The Motability Scheme is only sustainable if we can gain access to additional funding and maintain sufficient capital reserves. We have raised £4bn of incremental financing over the course of the year, to connect over 100,000 more disabled people to the freedom and independence of the Motability Scheme. Our Economic Capital model is used to determine the amount of capital required to protect the Motability Scheme, and in turn our customers, from unexpected losses, within defined and agreed parameters.

See more about Economic Capital on page 51

Rising costs of delivering the Motability Scheme

Our all-inclusive package is universal and covers insurance, vehicle servicing, maintenance, breakdown cover, and tyre and windscreen repair. This approach is central to the Motability Scheme's success and is designed to help reduce the worries that so many vehicle owners face. By connecting these services, we not only simplify the process for our customers but also ensure that the cost of their lease remains predictable and manageable, something particularly important in today's economic climate.

Until now, we have been able to protect customers from rising prices, using the profits earned in the immediate post-COVID period. Our investments will now come to an end, and customers will see rising Advance Payments. In light of this, it is important we now continue to inform our customers about the changing automotive market and the external factors affecting their lease. Advance Payments are not rising by as much as other leasing options available, and we know we're consistently at least 45% cheaper than alternatives.

Supporting freedom and employment opportunities

The impact of the Motability Scheme goes far beyond our leasing package. For many of our customers, the Motability Scheme is a lifeline that enables them to contribute to their communities, support their families, and gain financial independence. We know without the Motability Scheme, these opportunities would be much harder to access.

This underscores the broader social value of what we do. By providing reliable and affordable mobility solutions, we help our customers lead fuller, more independent lives. Whether it's getting to work, attending medical appointments, or simply maintaining social connections, the Motability Scheme plays a vital role in enhancing the quality of life for disabled people across the UK.

We recently commissioned Oxford Economics to undertake an independent report into the wider socio-economic impact of Motability Operations. Their initial findings indicate that the direct and indirect benefits of the Motability Scheme are significant, quantified as being worth £4.3bn to the total contribution to GDP.

The EV transition

As the UK transitions to electric vehicles, we know there will be significantly fewer petrol and diesel vehicles available in the market and they will cost more.

In addition, the Motability Scheme provides customers with a≈new vehicle as part of their three-year leasing package. This means our customers are experiencing the transition ahead of the rest of the general public.

We have already seen over 70,000 customers make the switch to EVs; this is double the amount of EVs in the fleet when compared to 2023. However, this leaves us with more than 90% of our fleet to still make the switch.

We believe that if EVs can work for our customers, who may face accessibility and mobility challenges, they will work for everyone.

Our customers tell us

Vicki, who has already made the switch to an EV, said:

"I recently joined the Motability Scheme and I have my car 'Indy' or 'Independence'. I'm outdoors all day and I don't want to destroy what I love the most. So, it was a conscious decision to say ok I want to give electric cars a go! I wanted something that would be manageable and economical but also nice and pretty and something smart looking! That wasn't too big for me to drive and wasn't too scary for me to drive."

Vicki also explained the challenges she's faced with the public charging network: "The challenges I have faced with public EV charging are firstly the lack of space, and the second challenge is that the chargers themselves can be really heavy and really hard to put into your charging port."

It's hearing this directly from our customers that makes us so committed to finding innovative solutions that keep our customers mobile now and in the future.

VIDEO: Watch more on Vicki and her story.

Finding innovative solutions

The transition to electric vehicles has its challenges and we're committed to working with partners to find solutions.

For the EV transition to work for all, there is an urgent need to address the barriers preventing people from being able to successfully use EVs. We know that the wider infrastructure needs improvement and is not built with accessibility in mind. We are working with the industry and policy makers to ensure the move to electric vehicles is more inclusive.

We're committed to expanding the variety of EVs available on the Motability Scheme and we're working closely with manufacturers to ensure that customers have choice. We currently have an average of 192 EV options on the Motability Scheme and over 25% of these have a longer range than previous generations of electric vehicles.

We also know from our insight that some of our customers face barriers in making the transition to electric. Around 50% of our customers do not have off-street parking, and the cost and accessibility of the public charging network is an issue. That is why we're driving forward with a range of innovation projects designed to address these challenges head-on.

We have continued to work with Ohme, our home charging supplier, to install a further 37,587 chargepoints, bringing this to a total of 65,999 installations for Motability Scheme customers. We're also working on a project to support our customers who require a 'cross-pavement solution' to be fitted outside their home to make home charging a possibility. This could help another 25% of Motability Scheme customers, to benefit from cheaper home charging.

In addition, we're working with partners to address charging challenges for people who live in social housing, through a pilot in Scotland. I am looking forward to sharing more news about these projects in the coming months.

As I shared in our Half Year Report, this year we rolled out the 'Motability Go Charge' app and card as part of our lease offering. This gives customers the ability to easily find the nearest charging stations and pay for their charging with a more user friendly solution. Through partnerships with local authorities, we're also sharing critical data to support the planning and development of public charging networks that everyone can access.

We have also continued working with CALLUM, to show the art of the possible and what the future of electric Wheelchair Accessible Vehicles (eWAVs) could look like. Earlier this year, we launched the design for a groundbreaking eWAV concept, called eVITA. With the demonstrator vehicle completed next year, we want to work with manufacturers to make inclusive design a priority, share ideas and integrate design principles from our research to ensure no one is left behind in the transition to EVs.

You can read more about this on pages 27 to 38

In this space, we're also supporting the Motability Foundation in their efforts to ensure that every public chargepoint is accessible to disabled people. The Foundation partnered with the UK Government to co-sponsor the accessibility standard for public EV chargepoints, BSI PAS 1899. The team at the Foundation is calling for the PAS 1899 standard to be made mandatory, and continues to engage with government departments, MPs, local authorities, chargepoint providers, landowners and manufacturers to highlight this issue.

Maintaining excellent customer service

As our business expands and changes, we're all committed to ensuring our customers stay at the heart of everything we do. We're proud to have received a customer satisfaction score of 9.5 out of 10* in our latest Customer Satisfaction Index (CSI) survey. I recognise that our customer service teams are facing increased demands as we serve more people and the transition to EVs continues, so it makes me immensely proud to see that our customer satisfaction scores have been maintained.

I'd like to extend my gratitude to all our colleagues and partners who work tirelessly to prioritise our customers, embracing our purpose and values every step of the way. Whether they are part of the Motability Operations team or one of our Motability Scheme partners, they all play a vital role in delivering the all-inclusive package that our customers rely on.

Andrew Miller
Chief Executive, Motability Operations

* Technical note: Ipsos interviewed 6080 Motability Scheme Car customers online between 1 October 2024 to 20 October 2024. Data has been weighted to the profile of Motability Scheme Car Fleet customers.

Motability Operations

How the Motability Scheme works

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.

Motability Foundation

The Motability Foundation governs and oversees the Motability Scheme and issues customer grants.

Strategic oversight

Motability Operations

We manage the UK's largest vehicle fleet from purchase, to in-life support and then resale in the used car market.

Customer chooses to use their mobility allowance to lease a vehicle.

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.

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

End of lease assessment and refurbishment at our refurbishment centre in Coalville. Then we resell the vehicle to the used car market.

The amount of revenue we generate depends on a range of external factors including the value of used cars. Any profits we make are invested into disabled people's mobility and to sustain the Motability Scheme.

Where we generate extra profits, we may make a donation to the Motability Foundation. This is not guaranteed, and there is no expectation of donations in the near future.

VIDEO: Visit our website to see our animated business model.

Motability Operations

Our operating environment

External factors
The external pressures on our business model

- Inflation and rising motoring costs.
- 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

Motability Scheme growth of 14.7% this year has seen costs rise more than expected.

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

See how the Motability Scheme works on page 14

Value
The value we create

- Freedom and independence for our customers.
- Motability Operations total contribution to GDP (Gross Domestic Product) is £4.3bn.
  * Oxford Economics report 2024
- Our people help us to provide the Motability Scheme to over 800,000 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.
- As the largest fleet in the UK we own more than 19% of cars on the road. 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.
  Read more in our Impact Report
- We work with and support a range of healthcare and disability organisations.
  See more on page 59

Motability Operations

Motability Operations reserves

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 2024, our fleet of customer vehicles was valued at c£14bn, of which £4bn was funded using our reserves. The remaining amount is financed through the bank and bond markets.

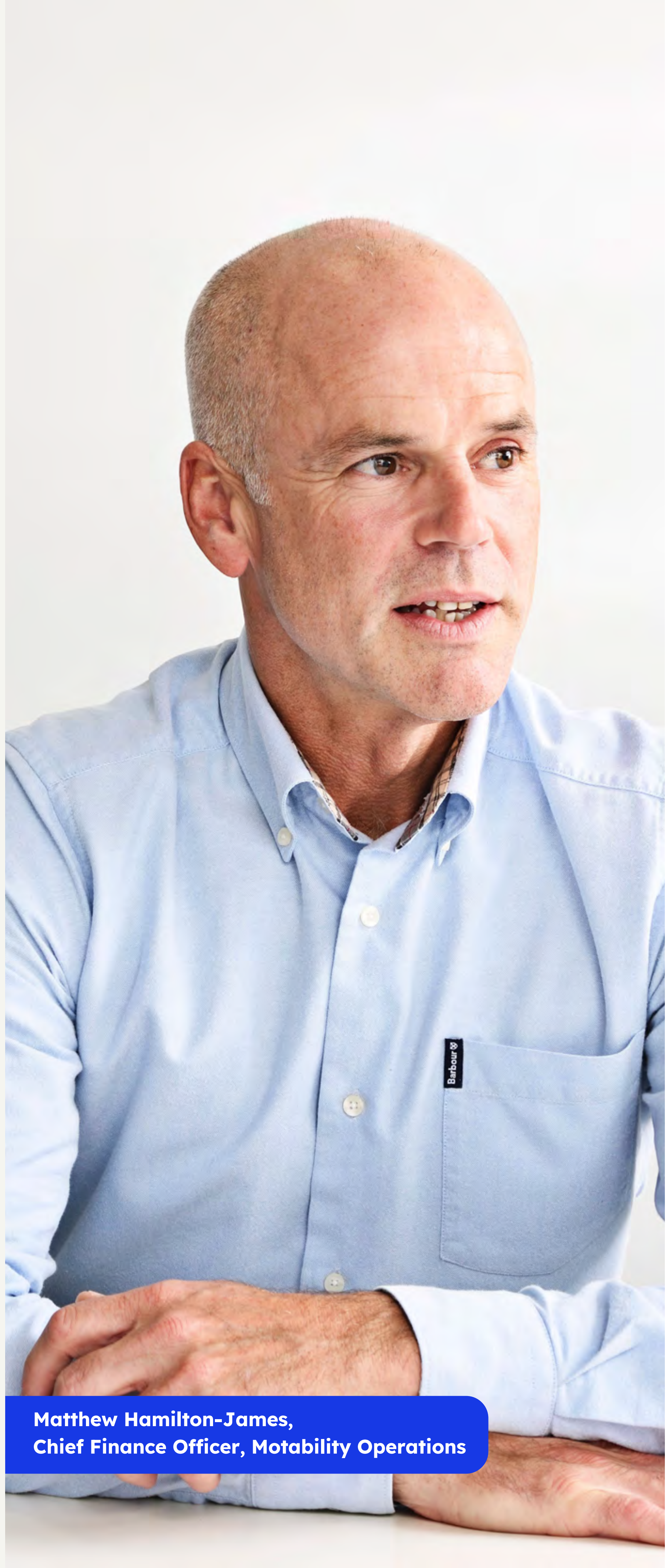
How our capital reserves work

Value of vehicles funded by our reserves of £4bn

Our reserves are the accumulation of our profits generated by running the Motability Scheme over many years.

Value of vehicles funded via borrowing is £10bn

We borrow from debt capital markets to purchase cars for our customers to get them moving.



Matthew Hamilton-James,
Chief Finance Officer, Motability Operations

Managing market volatility and investing to support growth

In 2024 we continued to navigate a volatile landscape, with new vehicle supply returning to the market, manufacturers increasingly focusing on the transition to EVs, and a correction in used car values.

However, our robust financial structure continues to serve us well. We remain confident that the sound underlying economics of our business model, and robust capital headroom positions us well as we plan ahead.

This year we have introduced a metric showing underlying profitability, which we plan to use going forwards to provide greater clarity in explaining our results.

You can read more about this on page pages 17 and 18

Overview

The year to September 2024 saw a record 14.7% growth in customer numbers with the closing fleet standing at over 815,000. This growth was driven by improvements in new vehicle supply across the UK which has enabled us to make significant progress in fulfilling the customer order bank (which had built steadily during 2022 to 2023). It was also supported by a record 170,000 new customers joining the Motability Scheme, a consequence of the growth in the eligible base of recipients of the qualifying disability allowances.

In support of this growth, the Group raised incremental long-term funding, with £4.1bn in bond issues during the year.

With the new vehicle supply returning to the market, the year saw a rebalancing of used vehicle values, with a significant drop in prices in the final quarter of 2023. Since then, the used car values have stabilised and, whilst the overall fleet revaluation reflects a surplus, there remains some volatility in the outer years of our outlook, particularly in respect of the anticipated residual value of electric vehicles (EVs) (which now represent 9% of our fleet).

During the year, we continued to support customers with our programmes of EV investment and New Vehicle Payments (NVP), with £57.7m invested into EV support and £152.6m into the NVP programmes respectively during the year. This takes the total paid and committed investment to £265.5m and £597.0m respectively.

Inflation across our supply chain continues to have an impact on our financial results. By design we fix prices for customers at the start of their lease, so shielding them from inflationary impacts. Consequently, Motability Operations bears any inflationary impact for the extant fleet. Inflation has been particularly prominent in insurance costs (as seen across the wider industry), with a 46% increase during the last two years. To the extent that inflation in our cost base outstrips that assumed in our lease pricing and inflation in disability allowances, then this will reflect negatively on the financial results.

We continue to incur higher than expected costs in providing continuous mobility when customers' vehicles are off the road and as we continue to support customers in their lease extensions (albeit lease extension volumes are now reducing).

The combined impact of residual value movements and inflationary pressures, set against a backdrop of temporarily reduced price lease margins (consequent on the EV and NVP investments), has resulted in an impairment of £348.8m being recognised in our current year results. In effect, we are accelerating depreciation and future exposure into the current period. In combination, these effects have contributed to a reported loss before tax of £564.6m (£416.3m loss after tax).

Underlying profitability unbundles the various drivers of our financial results. By clearly distinguishing the impact of our one-off investment programmes (EV and NVP) and disaggregating the accounting volatility linked to the assessment of vehicle residual movements, we can shine a light on the underlying result: an underlying pre-tax loss of £130.3m.

This underlying loss is primarily the result of Motability Operations bearing the impact of inflationary pressures across our extant book.

Given the rising cost of motoring, we have seen an inevitable increase in our price list during the year, with cost pressures unavoidably feeding through into lease pricing. To date the deployment of the NVP and EV investment has been effective in shielding customers from these inflation pressures, however, with these support programmes coming to an end, we are seeing an upward pressure on customer prices and Advance Payments.

Closing capital reserves were £4.0bn, providing a robust headroom above our Minimum Capital Requirement (MCR) plus buffer, with the reserves to assets ratio at 28%. This provides us with confidence as we look ahead.

Closing cash and cash equivalents stood at £1.3bn and a £1.5bn revolving credit facility was undrawn at the balance sheet date, providing us with £1.2bn in cleared cash balances as we step into the next financial year.

Customer volumes

Customer numbers increased 14.7% to over 815,000 in the year to September 2024, with a record over 170,000 brand new customers joining the Motability Scheme and 220,000 renewing customers receiving a new vehicle. With improvements in new vehicle supply, customer lead times have reduced from 122 to 82 days and the pipeline order bank reduced from 116,000 to 82,000. We have also seen a reduction in the number of customers in lease extension from 129,000 to 83,000 during the year, and the average length of lease extension reduced by 22 months to 21 months.

The year to September 2024 was also a record year for new applications volumes, with 213,000 new applications, directly linked to a 7% increase in the eligible base. We are pleased to see a significant uptake in applications for EVs, which now represent 9% of the fleet and 17% of applications in the year.

Financial review

Revenue: Total revenue increased by 24.4% to £6,898.9m (2023: £5,547.6m)

- **Rental revenue** £2,806.0m (2023: £2,370.9m) The increase in rental revenue was largely driven by an increase in customer numbers (growth of 14.7% during the year), plus a 6.7% uplift in mobility allowances from April 2024 (allowances are uplifted each April based on the Consumer Price Index recorded in the previous September)
- **Disposal revenue** Disposal revenue was £3,961.7m (2023: £3,092.3m) from the sale of 277,000 vehicles (2023: 200k), an increase of 28% in net proceeds. The average gross sale value for car disposals was £15k across 2024, an increase of 42% compared to 2019 (£10.5k)

815,000

vehicles in the fleet

14.7%

increase in customer numbers on the Motability Scheme in the year to September 2024

We target a 1.5% post-tax return on assets in our lease pricing to underpin our long-term sustainability. This requires us to estimate our revenues and costs over a three or five-year lease cycle. The price we charge our customers is fixed in order to provide them with certainty and to shield them from unexpected movement in costs during the term of their lease. Inevitably, the actual cost and revenue we incur and receive will vary across this time frame and will affect our reported result.

To provide a more meaningful explanation of financial performance, we have included a schedule showing underlying profit before tax which seeks to disaggregate and explain the key drivers of our financial performance.

Reconciliation to underlying (loss)/profit before tax

Motability Operations reported a loss before tax of £564.6m in the year to September 2024 (2023: profit before tax £748.0m), a year-on-year movement of £1.3bn. The change in the result was driven by four key factors:

- Increase in investments to support customers (EV and NVP)
- Residual value effects (vehicle disposal gains/losses, residual value adjustments and impairment)
- Charitable donations
- Inflationary impacts on underlying costs for the extant fleet

To arrive at a more meaningful view of the underlying result, it is useful to isolate these individual impacts. The schedule above provides a reconciliation between the statutory and underlying profit/(loss) before tax, allowing for a clearer unbundling of these effects.

The following items are added back to arrive at the underlying result before tax.

Reconciliation to underlying (loss)/profit before tax			Variance	
£m	2024	2023	£m	%
(Loss)/profit before tax	**(564.6)**	**748.0**	**(1,312.6)**	**-175%**
Adjusting items:				
New Vehicle Payment (NVP) incentives	**152.6**	78.9	73.7	93%
EV investment	**57.7**	19.6	38.1	194%
Charitable donations	**0.2**	250.0	(249.8)	-100%
Residual value adjustments				
Gains from disposal of fully terminated leases	(8.9)	(420.4)	411.5	-98%
Residual value adjustments	(116.1)	(631.0)	514.9	-82%
Impairment of assets	348.8	–	348.8	
Total residual value adjustments	**223.8**	**(1,051.4)**	**1,275.2**	**-121%**
Underlying (loss)/profit before tax	**(130.3)**	**45.1**	**(175.4)**	**-389%**

1. **Investments to support customers.** The investments in EVs and NVPs are one-off, time-bound programmes which redistribute headroom capital reserve built between 2020 and 2023 back to the customers. It is therefore appropriate to adjust for these inputs to better understand the underlying performance.

   New Vehicle Payments: £152.6m (2023: £78.9m) The NVP provides a one-off payment of £750 to all new and renewing customers, payable upon delivery of the customers' new vehicle (with customers having the option to directly offset this against any Advance Payment due). In 2023, we extended the NVP so that new customers who placed an application during 2024 were also eligible for this payment.

   To date, £540.9m has been paid out (supporting 748,000 customers) with a further £56.1m committed across the current order bank. These payments are recognised across the term of the customers' lease, effectively reducing revenue, with £152.6m recognised this year. Whilst eligibility for the NVP will expire at the end of 2024, these incentives will continue to be recognised in the income statement over the next three years (£304.3m to be recognised in future periods).

   EV investment: £57.7m (2023: £19.6m) In 2021, we ring-fenced capital to ensure that our customers are not left behind in the transition to electric vehicles. This investment has now been fully deployed, with £265.5m allocated in subsidising prices for 98,000 customers, including 66,000 home chargepoints having been installed free of charge. The impact of the EV investment (as with the NVP) is spread across the term of the leases with £57.7m recognised in the year and £185.4m to be charged against income in future periods.

2. **Residual value effects.** Movements in used car values introduce significant volatility into this year's result. The underlying profit reconciliation enables the clear demarcation of these effects.

   Gains on disposal of fully terminated leases: £8.9m (2023: £420.4m) During 2023 we continued to recognise gains from the disposal of vehicles at the end of lease, reflecting a continued buoyancy in the used car market (with values exceeding previous expectations) and, in part, as a result of previously blocked appreciation.

   In the year to September 2024 the full-term disposal result was much closer to a break-even position with a £8.9m gain recognised across £2,841.1m turnover and 202,000 vehicles sold. Within this, losses in the first three months of the year (reflecting the falling used car values across the market in the final quarter of 2023) were offset by modest gains in the latter months following a stabilisation of market values.

   Residual value of adjustments: £116.1m (2023: £631.0m) We undertake a quarterly reassessment of the anticipated value of the fleet and recalibrate depreciation charges to reflect any movements in expected residual values. Operating lease assets were valued at £14.3bn at September 2024, with an unguaranteed residual value of £11.9bn. Consequently, a 1% movement in residual values would impact depreciation charges by £118.7m.

As noted in our 2024 Half Year Report, used car values fell sharply in the last quarter of 2023, reflecting the rebalancing of the used car market (from the previous post-COVID high point) as new vehicle supply-side constraints abated. However, since then, values have stabilised.

Notwithstanding this realignment of values at September 2024, we anticipate a net gain of £436.4m across our fleet, resulting in a depreciation credit of £116.1m in the year. This compares with a £631.0m depreciation credit in 2023, which reflected the continued impact of the supply-side shortages and elevated demand for used vehicles.

Whilst in aggregate the latest revaluation anticipates a fleet surplus versus the original priced residual value, this is skewed towards gains across 2025-2026 expiries, with partially offsetting exposures for leases expiring in 2027. These exposures are more significant for electric vehicles which have been subject to greater volatility.

Impairment of assets: £348.8m (2023: £nil) At each balance sheet date, a review is undertaken for signs of impairment of the carrying value of the assets. Impairment is defined as a position where the net book value is higher than the 'value in use'. Value in use represents the estimated future cash flows to be derived from continuing use of the asset, measured after applying an appropriate discount rate.

As at 30 September 2024, following the re-estimation of the residual values, an impairment review resulted in impairment charges of £348.8m. This was triggered by the following factors:

- Reduced price margins: As signalled in previous annual reports, the decision to deploy the NVP and EV investment results in a reduced profit margin (below the underlying 1.5% return)
- Inflationary impacts on costs further squeezing lease margins
- The residual value adjustments noted above reflecting some deterioration in asset values

The combination of these effects results in the £348.8m impairment provision in 2024. In effect, this represents an accounting acceleration of the timing of recognition of the future exposure into the current period. This impairment provision will be reviewed at each reporting date and is expected to unwind over the next three years.

3. **Charitable donation: £0m (2023: £250.0m)** The £250.0m donation to the Motability Foundation in 2023, followed a year in which we continued to benefit from the tailwinds of the elevated used car values, with profitability above our target. We did not make a donation to the Motability Foundation in 2024. Given that any donation is discretionary and periodic in nature, it is appropriate to adjust our profit before tax to better understand the underlying result.

Underlying result

Having adjusted for the items outlined above, the underlying result before tax is a loss of £130.3m (2023: profit of £45.1m).

The key driver of the underlying loss was the inflationary cost pressure experienced this year. Customers' lease prices are fixed for the duration of their contract, and so any unexpected movements in costs during the term of the lease are borne by Motability Operations. In effect, customers are shielded from unexpected inflationary pressures in the short term.

The most significant inflationary impact was across insurance costs. The average UK motor insurance costs are 23% higher than they were one year ago. The increase in insurance cost has impacted this year's underlying result through losses made on our fleet reinsurance operations of £84.2m as well as a £65.8m increase in deferred rental income during the year.

We also saw a £165m increase in our funding cost this year. Whilst this was primarily driven by the increased debt quantum required to service the growing fleet (our bond debt increased by £4bn, from £6.4bn to £10.4bn), this also reflected an increase in the average rate of interest we pay on the bond portfolio which has risen from 3.2% to 4.1%.

The underlying result is also affected by the continued cost of supporting customers in lease extensions. With the significant disruption to new car supply, we have ensured customers remain mobile by providing automatic lease extensions at no extra cost. Whilst the number of lease extensions has fallen over the year from 129,000 to 83,000, this is still significantly above the long-term average of approximately 7% of the fleet being in extension. Consequently, we are experiencing higher fleet operating costs in relation to the service, maintenance and repair expenditure of the 'all-inclusive leasing package' on this older fleet, reducing the underlying performance for both 2023 and 2024.

Funding and liquidity

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

As noted in the 2024 Half Year Report, because of the growth in customer numbers, our cash utilisation increased during the year. We spent £8.1bn on the new vehicle purchases, significantly exceeding the £4bn received from the sale of vehicles being returned at the end of lease.

Following the £0.5bn and €1.7bn bond issuances in January 2024, we completed a second phase of refinancing in June, successfully raising incremental funding in the form of three new bonds under our social bond framework (€1bn five-year, €1bn 11-year and £0.5bn 27-year).

Bank facility

We retained our existing bank facility (£400m term loan and £1.5bn revolving credit facility) and exercised the second 'plus one' option, which extends the maturity of these facilities to 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 £1.2bn (of which £79.8m was ring-fenced in the Group's reinsurance captive on the Isle of Man). The Group's average debt maturity was 10.4 years at the balance sheet date (2023: 9.9 years).

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

Credit ratings remained at A1 and A with Moody's and S&P respectively (both with negative outlooks).

Outlook

Our financial model is designed to be sustainable through the cycle and over the last three years we have seen that in action, with profits made when used car values were rising being deployed to support customers as values adjust downwards. This has also enabled us to protect customers from inflationary impacts in the short term.

Whilst we remain confident that our proposition continues to represent excellent value for money (47% cheaper than the comparable market benchmark), with the NVP and EV investment programmes coming to an end, it is unavoidable that current inflationary impacts are now flowing through into customer prices, and this will present challenges for affordability. We continue to work hard to ensure that we drive the best possible value through the commercial arrangements with our Motability Scheme partners.

Whilst used car values have stabilised (and remain above pre-COVID levels), the last 12 months have been typified by increased market volatility. It is likely that there will be further volatility in residual values into the future as the market progressively navigates the transition to EVs.

Therefore, from a financial perspective we recognise the need to ensure that we remain well capitalised to underpin the stability for current customers and to accommodate future growth. Our conservative financial management approach has served us and our customers well. With this in mind, we remain committed to retaining a robust capital base to mitigate risk and continue to price at an average margin of at least 1.5% return on assets to underpin our future sustainability. This is expected to drive a positive underlying result in future years.

Matthew Hamilton-James
Chief Finance Officer, Motability Operations

Keep delivering brilliantly for our customers

"Without my Motability Scheme car, my life would be completely different… it's something I'll never take for granted."

Laurie Williams, Motability Scheme Ambassador

Laurie Williams is a Scheme Ambassador, and works with us to promote the benefits of the Motability Scheme. Most importantly, like our other Scheme Ambassadors, Laurie is a Scheme customer, so can share her lived experience of the Motability Scheme.

She has been on the Motability Scheme for as long as she can remember. Firstly her parents drove her Scheme vehicle and as soon as she could learn to drive she was out enjoying her own freedom.

As a professional wheelchair basketball player, who has just competed at this year's Paralympics, Laurie relies on her Motability Scheme car to get her to training and enjoy family life.

VIDEO: Visit our website to see more from Laurie.

Laurie says the benefits of the Motability Scheme are huge: "I would rather have my own independence, than necessarily use public transport and have to rely on someone having to help get me on and off a train."

Laurie says she'd be open to an electric vehicle (EV): "I'd love to make the switch to an electric vehicle, it's something that I think would suit my lifestyle really well. The only barrier for me at the moment is the charging issue. I live in a flat, so finding a charging point or having a charging point installed is something that might be a bit more challenging."

KPIs Measuring our success

Performance against Scheme objectives

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

Building our customer and disability expertise

Objectives

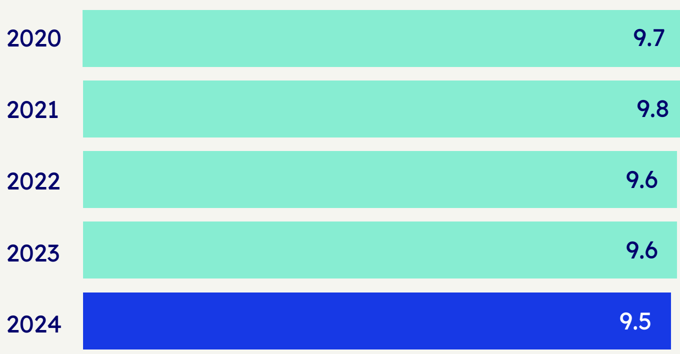
- Deliver best-practice customer service through our call centre
- Ensure that the standard of services deployed through our key suppliers is commensurate with our internal targets
- Build our adaptation and conversion expertise to ensure that customers have a seamless experience and that we are recognised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

Delivery

- The enhanced features of our new telephony system including speech analytics enable an agile approach to understanding customer needs and implementing rapid change. The 'place in a queue' functionality provides the customer with the option to request a call back instead of waiting to speak to an adviser
- To ensure that our customers are not left behind as we transition to electric we have launched our new electric vehicle sales training so that the dealer network is ready to support our customers as they transition to an electric vehicle (EV). The training is designed to build dealer and customer confidence when making the switch to an EV and help customers understand what it's like to live with an EV
- A dedicated EV support team is now in place to provide customers with specialised support and advice when required to ensure that, where customers can, they choose and remain in an EV
- Following a successful pilot initiative we launched our first app, Motability Go Charge, which looks to simplify the public charging experience providing for a single payment mechanism and visibility on availability and accessibility of chargepoints
- We have launched a series of videos via our Motability Scheme YouTube channel aimed at educating and removing barriers for our customers to transition to an EV

Overall customer satisfaction

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



9.5 out of 10* **Target of 9.2 out of 10**

Roadside assistance average response time

Keeping our customers mobile remains our priority. In the event of a breakdown, Motability Scheme customers receive priority assistance from our Motability Scheme partner, the RAC, with an average response time of 39.1 minutes (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**

* Technical note: Ipsos interviewed 6080 Motability Scheme Car customers online between 1 October 2024 to 20 October 2024. Data has been weighted to the profile of Motability Scheme Car Fleet customers.

Providing value and choice

Objectives

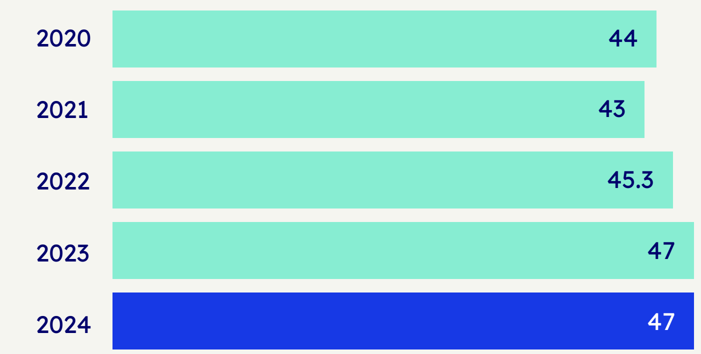
- Provide stability in pricing and choice throughout the economic cycle
- Provide a wide selection of vehicle models and brands
- Maintain a range of at least 200 cars at 'nil Advance Payment'
- Ensure that our residual value-setting and forecasting is the best in the industry
- Retain our market leadership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

Delivery

- As manufacturer retail business models change in line with mobility trends and customer behaviours, we continue to work with manufacturers to ensure that we maintain choice and affordability for our customers
- During the year, one new manufacturer joined and two manufacturers rejoined the Motability Scheme, and we are also actively building awareness with new EV manufacturers internationally. This enables us to access new and relevant EVs as they come to market, ensuring that 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 on the price list at nil Advance Payment' has continued to be difficult this year as a result of the supply chain constraints. We have had on average 108 cars on the Motability Scheme price list with a nil Advance Payment throughout the year compared to 71 last year, which still provides a good level of choice and affordability for our customers who need it most
- Our EV fleet continues to grow and is now at 9% of out total fleet
- 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 value

Relative affordability: % cheaper than alternative

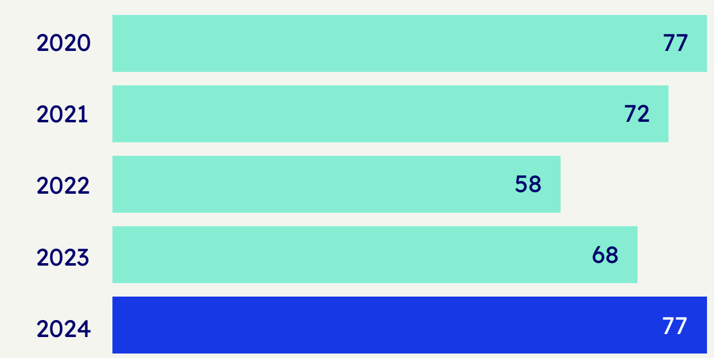
We benchmark ourselves using commercial contract hire quotations. These are usually unavailable to the general public and are likely to be less expensive than personal contract purchase quotations. Our economies of scale, operational efficiencies and a VAT concession (which is passed onto customers in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



47%

% of vehicles sold online at the end of lease

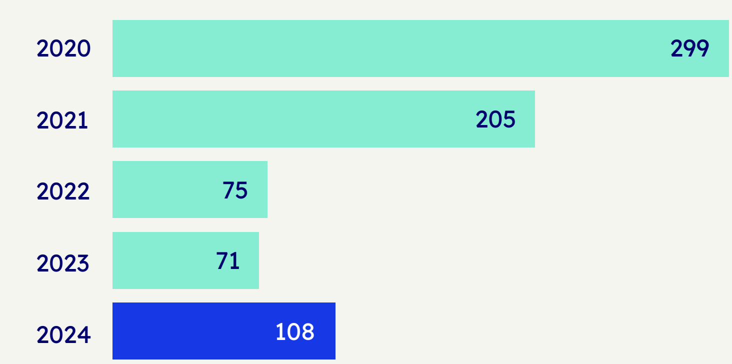
Selling via our online sales channel, 'mfldirect', provides an effective, low-cost route to market which facilitates the management of our high volume of disposals, and also ensures a competitive sales environment through which we seek to maximise our net return.



77% Target of 70%

Affordable vehicle choice at 'nil Advance Payment'

We aim to maintain the availability of at least 200 cars on our price list that are funded solely by the assignment of the customer's disability allowance. During the year to September 2024, we were unable to reach this target because of low availability of cheaper models due to continued supply constraints.



108 Target of >200
Average from Oct 23 to Sept 24

Improve reach and awareness

Objectives

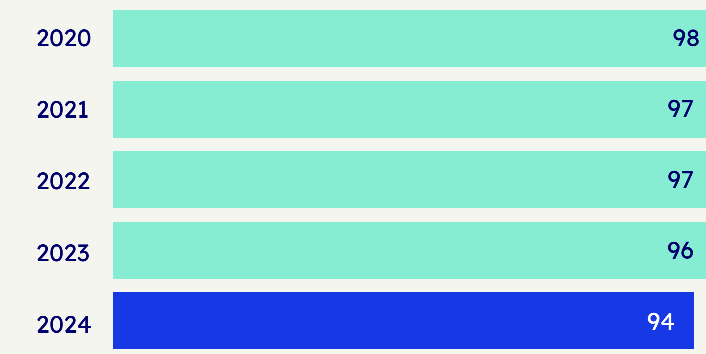
- Raise understanding of Motability Scheme elements and confidence and trust in the Motability Scheme
- Maximise effectiveness of multimedia channels to increase understanding within the eligible customer base
- Identify and, where appropriate, remove any barriers for potential customers
- Continue to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

Delivery

- Across the summer 'The Big Event' series attracted over 22,000 attendees across four events and 1,600 test drives. We were also delighted to be able to host one of these events in Scotland again
- Our digital capability enabled us to once again live stream events for our customers who were unable to attend The Big Event at the NEC in Birmingham. The streamed content included speaker sessions, tours of several stands and interviews with our team and other motoring experts, with over 1,200 live stream views, and over 11,000 views of the streamed content on demand
- This year we were delighted to announce the appointment of a further nine Brand Ambassadors, who include Paralympians, influencers, authors, entrepreneurs, disability advocates and change-makers, who will all share their unique perspectives and experiences, as they share their stories to help increase awareness of the Motability Scheme and understanding of how it works, and who can benefit
- We have continued to provide operational and disability confidence training for dealer Motability Scheme specialists, through our online platform. Most recently we have launched a bespoke EV training module to assist both dealers and customers in understanding the transition to electric
- Over 603,000 customers now have an online account which offers customers a range of self serve capabilities
- We have continued to work with Family Fund, the UK's largest charity providing grants for low-income families raising disabled or seriously ill children and young people, to deliver a Scheme providing vehicles to families with children under the age of three who are seriously ill or disabled but do not yet qualify for a mobility allowance. This programme is grant funded by the Motability Foundation, with over 700 families now being supported by the provision of an appropriate vehicle

Trust in the Motability Scheme

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 Motability Scheme.

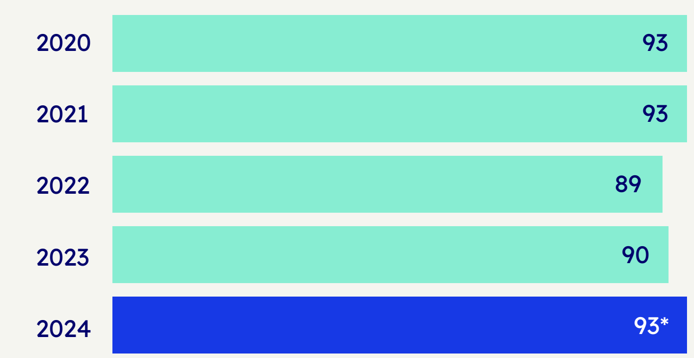


94% **Target of >85%**

Customer renewal rate at the end of lease

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

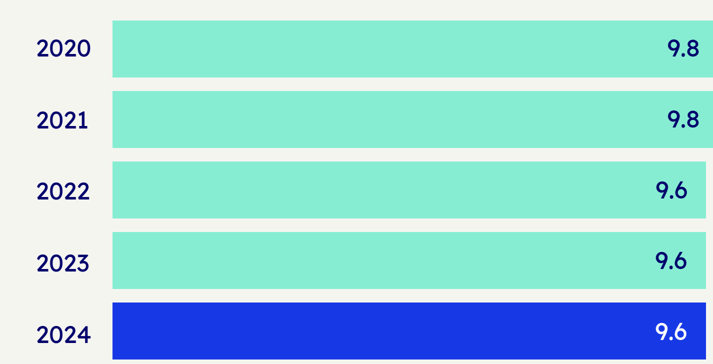
* During FY2023 we have changed our approach on renewal rate, and we now identify the proportion of customers who renew from all lease terminations (rather than just those who go to full term)



93% **Target of >85%**

Customer advocacy

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



9.6 **Target of 85%**

Ensure long-term sustainability

Objectives

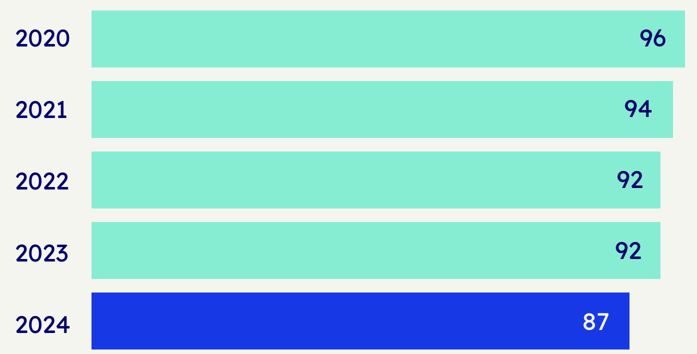
- Maintain a prudent reserves policy that provides financial strength adequate for us to withstand the impact of potential shock events
- Create opportunities to access wider sources of competitive funding. We aim to maintain our credit rating, enabling us to secure the most appropriate funding at competitive 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 Motability Scheme, balancing customer needs with fuel economy and emissions

Delivery

- The continued volatility in the used car market and inflation during the year ended September 2024 are the primary drivers for our negative financial results, as we have seen lower than anticipated residual values
- We continue to apply capital modelling methodology and our applied risk appetite and confidence levels, and we benchmark our capital reserve levels against near-comparable companies. This Economic Capital approach has been confirmed as appropriate by Oliver Wyman and supports the Group's application of a 99.99% confidence level
- Our strategy is simply to hire the best talent for the job. We firmly believe in diversity and inclusion, encouraging hiring managers and recruiters to look at a balanced shortlist. Over the last year, we have enhanced our training and development programmes through our Leadership Development programmes and strengthening our e-learning modules
- Maintained a proactive engagement programme with key stakeholders, operating in a transparent and straightforward manner
- Our near-term (2024) Science-Based Targets (SBTs) were verified by the Science Based Targets initiative (SBTi) at the end of 2024 and we have signalled our intent to submit long-term (2050) net zero targets to the SBTi

Employee engagement

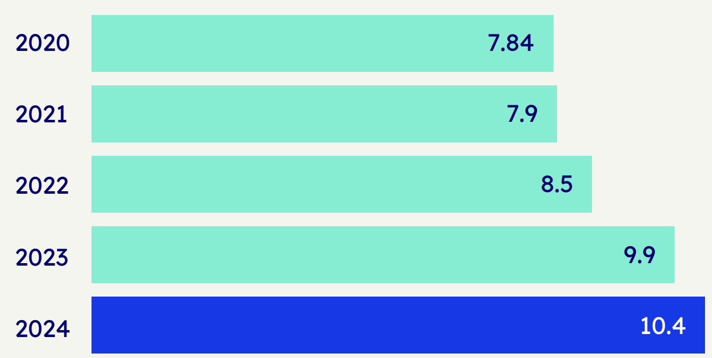
We participate in an independent annual review of business culture, where we have significantly outperformed the 'High-Performing Organisations' benchmark. Employee engagement is 10pts higher than the benchmark.



87% **Target of 84%**

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 over 10 years.



10.4 yrs

Credit rating

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

A/A1

Navigating a changing world

Finding new and exciting products for our customers

"I chose an electric vehicle to do something for the environment. I had a home charger installed through the Motability Scheme and the installation was very easy."

Kevin, a Motability Scheme customer from West Sussex

70,000+

Over 70,000 Motability Scheme customers like Kevin have already made the switch to an EV.

VIDEO: Watch Kevin's story.

Kevin, who has been on the Motability Scheme for over 20 years, has recently made the switch to an electric vehicle (EV). He wants to do more for the environment and reduce his carbon footprint.

Kevin is also concerned about future generations and how they will be impacted by climate change if more people do not take action now.

He has a home chargepoint fitted in his garage that was installed through the Motability Scheme. Kevin only needs to charge his car once a week, as most of the time he makes short journeys in the local area. Kevin does not feel like he needs to use the public charging network as he only makes local journeys, but we know this is not the case for all of our customers. We are working hard to find innovative solutions that work for them all.

Motability Operations

Wheelchair Accessible Vehicles (WAVs)

The Motability Scheme is set up so that we are here for the long term for our customers. External factors have led to challenges across the business, and nowhere is this challenge more acute than across our Wheelchair Accessible Vehicle (WAV) product. We're committed to keeping this element of the Motability Scheme sustainable for the future.

It's vitally important that we get this right as our WAV customers often have the most advanced mobility requirements and benefit from the Motability Scheme the most.

Our WAV service is bespoke and built to suit our customers' needs. There is no need for a customer to visit a dealership, and our suppliers arrange a demonstration at a customer's home. Once the customer is happy with the product, it is also delivered to their home.

WAVs can be more expensive than standard production vehicles. The base vehicle itself is often higher in price and there are extra costs involved in conversion and we help to make WAVs more affordable for our customers. We have always financially supported the WAV scheme and in recent years this has been to the cost of around £75m a year, but this year we have seen this increase to £85m, due to rising costs and changing supply dynamics across the automotive sector. We have also had over 9,000 applications for a WAV this year, which is up from 7,000, and means our fleet has grown to over 35,000 WAVs.

"There is definitely increased volatility across the market. The pressures on our business have always been there, but now they're heightened. The automotive sector moves more quickly now than it ever has done before and vehicle life cycles are shorter. This means our costs are all over the place, and we're constantly adjusting our plans just to keep up."

Graham Vooght, Managing Director of GM Coachwork
GM Coachwork, is one of the Motability Scheme WAV suppliers, who explained the pressures on his business.

In addition, the Motability Foundation provides grants to further support people who need a WAV. As published in the Motability Foundation's latest annual report, the total cost of providing grants to WAV customers in the year ending 2024 was £27.5m. Across Motability Operations and the Motability Foundation, the annual cost of supporting WAV users is over £100m.

We expect the affordability of WAVs to become even more challenging over the next few years, so we are working to develop a more sustainable business model. Alongside the Motability Foundation, we're collaborating with the sector so we can ensure affordable solutions for our customers. We also need to consider how our WAV customers can take part in the EV transition.

In industries like vehicle adaptations and WAV manufacturing, Motability Operations is the primary sales channel for many UK-based companies. This allows us to work closely with our suppliers and converters, to provide appropriate and tailored solutions for our customers, foster innovation and to share customer-influenced best practices. We work closely with our partners in this space to ensure the best possible customer experience.

WAVs are converted to suit a customer's requirements, and this process involves lowering the internal floor of the vehicle to accommodate the wheelchair user. In EVs, the battery is commonly located in the floor and therefore it is unable to be lowered. Without market intervention, WAV customers won't be able to make the transition without choosing a larger vehicle.

We have worked with our customers and design and engineering firm CALLUM, to design a concept electric WAV, eVITA. The concept is formed of many new and innovative design elements that can be adopted together or separately depending on the needs of the manufacturer. This concept vehicle has been produced with accessibility and inclusivity at the heart and shows what is possible. We are aiming to raise awareness of the innovations that are possible when accessibility is considered from the beginning.

To make this a success for wheelchair users, we need industry and policy makers to take action and work with us to develop a desired solution.

Other advocacy includes working with industry to consider sustainable end-of-life processes for adaptations removed from Scheme vehicles and reworking PAS2012-1, a standard issued by the British Standards Institute ensuring WAVs are built to the latest technology.

"We use my WAV for everything. We've been to France in it. It's changed my life. It's helped me go out and gain the freedom I need."

Beth, a WAV customer from Crewe, shared her thoughts on what her WAV means to her.

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.

The impact of Motability Operations and the Motability Scheme is significant for our customers, our people and communities and for the planet.

As the UK's largest fleet of vehicles, we have a big impact on the environment. In 2023, our total carbon footprint was 8.5 million tCO_2e. Ensuring the Motability Scheme can be sustained for the long term means significantly reducing our emissions, aligning to the Paris Agreement and reaching a net zero position no later than 2050.

Around 99% of our emissions come from our customers in Internal Combustion Engines (ICE) vehicles, so helping them make the switch to an electric vehicle (EV) is an essential part of our emissions reduction strategy. To date, over 70,000 customers (9%) have transitioned to an EV, removing an equivalent 95,000 tCO_2e from our scope 3 emissions. In 2024, the Motability Scheme has welcomed over 170,000 new customers, many of whom chose an ICE vehicle this year.

We've made significant progress this year but know we have more work to do to achieve our sustainability goals. We're embedding impact and sustainability across the business to deliver our strategy and reach our targets. We have set aspirational goals supported by science-based targets and have set out a plan to achieve net zero by 2050.

You can read our Impact Report for more information about our impact and sustainability journey.

We think about impact and sustainability in the three Ps:

Our people
Committing to equitable outcomes

Our planet
Living within our boundaries

Our principles
Demanding responsible conduct

Our carbon footprint

8.5 million tCO_2e
Our total carbon footprint has grown from 6.9 million tCO_2e in FY2022 due to the Motability Scheme growth

1,031 tCO_2e
We've reduced our Scope 1 and 2 emissions from 1,054 tCO_2e in FY2022

5.83 tCO_2e per vehicle
We've reduced our emissions per vehicle from 5.96 tCO_2e/vehicle in FY2022

Our people

Transforming our business

Everything we do is about delivering smart and sustainable solutions that improve our customers' mobility, and our people are fundamental to this being a success.

This year, we launched our strategic workstreams. These underpin our strategy and help us deliver a financially sustainable Motability Scheme as we transition to an electric future for our customers. By fostering collaboration and drawing on the ideas, passion and commitment of our employees, we can ensure that our focus remains on both delivering exceptional customer service and adapting for the future.

Work-life balance and collaboration

We understand the importance of a work-life balance for all our colleagues and we're committed to a hybrid approach to working patterns. We require our teams to be in the office three days a week and we believe this shift to more in-person working helps us boost collaboration and engagement in the workplace, while supporting a healthy work-life balance.

We've also been making investments in our offices, to create new flexible spaces where our employees can be together. In London, we've moved to a smaller office space at 22 Bishopsgate. Right in the heart of the city, this has provided our people with a vibrant single-floor space, designed with accessibility and inclusivity at its core. Ranging from high-energy zones to quiet library spaces, the new office provides options for everyone that suit their individual needs.

In addition, we have continued the refurbishment of our vehicle reconditioning centre in Coalville, designed to maximise processing efficiency and enable us to process up to 38,000 vehicles annually. The fully refurbished site will open early next year.

Here's a quote from our 2024 MyView employee survey:

"I love our genuine customer focus, for both internal and external customers. We promote doing the right thing and enabling our specialists to really care and strive for good solutions. I am proud of my team, department, the wider company, and of the impact we have."

“The Change Management training has definitely helped me stop, reflect more thoroughly and take into account the audience in a structured manner. It helps me concentrate on the desired results or actions from individuals I am interacting with which improves my communications.”

Katy Driscoll
EA to CEO and Project Manager

Learning and development

To support our teams through our period of strategic transformation, we are investing significantly in learning and development. This year, we launched a new e-learning platform, accessible to all employees, and introduced peer-to-peer mentoring.

From ‘Disability Confidence’ training for new starters, to ‘Change Management’ workshops for leaders, we’re equipping our people with the skills to navigate the business’s future.

In the coming year, our new skills-focused career pathways tool will support colleagues in exploring and advancing their careers at Motability Operations. This will showcase how employees can grow and develop their careers across Motability Operations, helping us attract and retain talent.

Employee engagement

Our yearly employee engagement survey, myView, conducted with Willis Towers Watson, allows us to track our progress and benchmark against other High-Performing Organisations. We continue to be proud of our results, against an external backdrop of economic, technological, climatic, geopolitical and social disruptions. Participation remained extremely high at 90%, with our three top-performing areas being inclusion (91%), culture (88%) and engagement (87%).

Reflecting the strategic transition and pace of change in our business, our lowest-performing categories are leadership, efficiency, engagement and strategic implementation. Like many other UK employers we’re facing a wide range of challenges, which make it harder to deliver high performance and a superior employee experience. Where we have moved back on previous results, our Executive and Senior Leadership teams are working on localised plans to improve scores.

We aim to keep our employees informed and engaged in a number of ways. Some of these initiatives include:

- All-employee roadshows twice a year
- Quarterly webinars hosted by our CEO
- A yearly Leadership Conference
- Frequent ‘Question Time’ events where employees can learn about key initiatives. This year’s sessions included discussions on our electric vehicle (EV) transition and strategic workstreams
- Regular updates on MOConnect, our employee intranet

Recruitment and retention

Our approach to recruitment is straightforward: we seek to hire the best talent for the job. We encourage balanced shortlists where possible and this year we piloted a blind CV initiative. While regretted attrition at our Customer Services Contact Centre has increased to pre-COVID levels at 8.38%, we remain committed to attracting and retaining top talent.

Recognising high performance and celebrating success

Our employees are inspired by a unique purpose, underpinned by our values:

We drive change

We find solutions

We care

To celebrate these values in action, we introduced the Bravo recognition scheme in 2023. Through Bravo, colleagues can publicly acknowledge each other's achievements, and since the launch, over 7,000 examples of our values in action have been shared.

This year, we also launched the MOscars, a celebration of exceptional achievements. Across seven categories, the MOscars are a chance for us all to recognise and celebrate outstanding achievements across the business, with winners being decided by a panel of our people

- The Values Award
- The Bright Idea Award
- The Outstanding Service Award
- The Impact and Sustainability Award
- The Belonging Award
- The Leadership Award
- The Teamwork Award

Over 150 colleagues were nominated, and we honoured the winners at a special awards lunch in April.

Andrew Miller, Chief Executive, presenting an award at the MOscars

"I have taken so much from the Change Management training, I don't know where to begin. I felt a lot resonated with things I've seen in the past, but it's added so many layers of practical confidence it's been invaluable."

Tom Fitton
Economic Capital and Projects Manager

Here's a quote from our 2024 MyView employee survey:

"It's incredibly refreshing to have the empowerment to really focus on delivering for our customers. We're also demonstrating that we can achieve this, while ensuring the business performance remains strong."

High performance

In return for competitive pay and benefits, we set high performance expectations for our people. Our newly developed performance framework ensures transparency and provides clear pathways for professional growth.

See more in our 2024 Pay Gap Report.

This year, we launched a new career framework, aligning with the needs of our 1,700-strong workforce in over 600 roles. Linked to our career pathways tool, this framework guides employees in developing the skills to meet our future objectives.

Belonging@MO

We are committed to creating a supportive, inclusive environment for all our people. Equity, diversity and inclusion (EDI) is at the heart of what we do and we believe fostering a diverse workforce will help to keep our customers moving.

We've continued to develop our EDI roadmap which is built on four key cornerstones:

- Diverse workforce
- Inclusive culture
- Leadership commitment
- Data capability

We also have an EDI Committee that meets bi-monthly to discuss progress. The Committee is made up of Network Leads, Executive Sponsors and Business Leads.

Our well-established employee networks include enABLE, Pride, Reach and Gender. The networks support colleagues from across the business to help bring themselves to work and celebrate different communities and cultures. For more details on our efforts to foster inclusivity, please refer to our Impact Report.

Read our 2024 Impact Report

Read our 2024 Pay Gap Report

Motability Operations

Lean into green

"I would 100% recommend an EV, if it suits the individual's needs. You need to test drive the vehicle to get used to it and ask lots and lots of questions."

Patricia, a Motability Scheme customer from London who drives an EV

At Motability Operations, we help customers decide between our wide range of vehicle types and adaptations, ensuring they make the best choice for their needs. More of our customers are now choosing an EV than ever before, which is a great step forward but we are also aware of the barriers that some of our customers are experiencing in the transition to electric. That is why we're leading the way and working with industry on a range of innovation projects designed to address these challenges.

Patricia, who has been on the Motability Scheme since 1995, has recently made the switch to an EV. She is making use of the public charging network to charge her EV. As she lives in an urban area, she is lucky enough to have a charger just three minutes up the road, which is not the case for all of our customers.

Patricia says: "Once I found the charger I could use it was easy enough for me... I try to top up the car every two weeks. That's fine when it's not cold. With my medical condition I can't be in the cold for too long though, which can be a problem for me."

Our planet

Over 99% of our carbon footprint is attributed to our vehicle fleet and we have set science-based targets (SBT) to reduce our scope 3 emissions per vehicle by 58% by 2032 and reach a net zero position by 2050 against a baseline of 6.52 tCO_2e per vehicle in 2021. We have also set SBTs for scopes 1 and 2, aiming to reduce our emissions by 50.4% by 2032 and 90% by 2050 against a baseline amount of 1,191 tCO_2e in 2021. To achieve this reduction, we will undertake a range of activities across our three offices in Bristol, Edinburgh and London and our vehicle reconditioning centre in Coalville.

Our reduction targets are aligned to the UK assumptions on greening the grid and have been stress tested to ensure they are robust.

In FY23, we achieved our annual emission reduction goal in line with our science-based targets across all scopes. We reduced our scope 1 and 2 emissions to 1,031 tCO_2e compared to our goal of 1,082 tCO_2e and our scope 3 emissions by 5.83 tCO_2e per vehicle compared to our goal of 5.84 tCO_2e.

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

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

	Current reporting year 1 October 2023 to 30 September 2024	Comparison reporting year 1 October 2022 to 30 September 2023
Emissions from activities which the Company owns or controls including combustion of fuel and operation of facilities (Scope 1)/tCO_2e	244.58	245.06
Emissions from purchase of electricity, heat, steam and cooling purchased for own use (Scope 2, location-based)/tCO_2e	832.22	786.49
Total gross Scope 1 & Scope 2 emissions/tCO_2e	1,079.8	1,031.47
Energy consumption used to calculate above emissions: kWh	5,325,920	5,134,370
Intensity ratio	0.0445	0.0471
Methodology	Total gross CO_2e/ square meter of floor space	

Please note: the FY23 figures for 'Scope 2 (market-based) – tCO_2e', 'Scope 2 (location-based) – tCO_2e', 'Total gross Scope 1 and 2 emissions (location-based) – tCO_2e', 'Total gross Scope 1, 2 & 3 emissions (location-based) – tCO_2e' and 'Energy consumption used to calculate Scope 1 and 2 emissions – kWh' have been restated due to the discovery of new electricity consumption information. The figures have been updated to reflect this new information and the calculation methodology is consistent with our wider carbon footprint calculation.

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 GHG Conversion factors.

We have brought our carbon reporting capability in house and from 2025 we will be able to calculate our carbon footprint in line with our financial reporting year. All of our carbon footprint emissions in this report reflect financial year 2023. To meet regulatory requirements, the SECR refers to FY24 information.

Energy efficiency actions

We practise responsible energy management and energy efficiency, recognising that climate change is one of the most serious threats facing society today.

On returning to the office after the pandemic, we found our London office space was no longer fit for purpose. To foster collaboration, support our hybrid working practices and ensure better use of resources, the business relocated to a single floor of 22 Bishopsgate, a BREEAM excellent rated building. This reduced our square footage by 55% from 55,000sft to 25,000sft.

Throughout the relocation, we worked with our suppliers on the design and build principles to create an accessible office with the needs of our people and long-term sustainability at the heart of the project.

We undertook a similar review in Bristol, where we re-opened two office buildings on our Bristol campus that closed during the pandemic. We have re-purposed some of the spaces in Bristol to better facilitate hybrid working and create multi-purpose spaces like our auditorium that can hold 100 people.

We purchase energy for our Bristol, Edinburgh and London offices with a Renewable Energy Guarantees of Origin (REGO) certificate and this year have implemented this for Coalville.

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.

Based on our initial climate risk assessment, we believe our current strategy is resilient to the impacts of climate change. We know that having an in-depth understanding of all of our climate-related risks and opportunities with quantification of the impacts is an iterative process that takes time. We recognise that this is a continuous journey, and 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..

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.

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

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 43.

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 form part of our corporate risk register, holding equal status with all other business risks. We'll be focusing on quantifying those risks and opportunities during the next financial year, ensuring that they are central to strategic and financial planning.

Metrics and targets

We have calculated our footprint across scopes 1, 2 and 3 and have reported on this within our Streamlined Energy and Carbon Reporting (SECR) table on page 35. Understanding our carbon footprint has allowed us to focus our reduction efforts. We have modelled our near-term SBTs which were approved last year by the SBTi. We have submitted our long-term SBTs, which are currently being reviewed.

A key metric we track for carbon reduction is the percentage of our vehicle fleet that is made up by EVs. In 2024, this stood at 9% with over 70,000 customers choosing an EV. We have set an aspirational goal to seamlessly transition 8 out of 10 customers into an electric vehicle by 2032 and are exploring initiatives to support them through the transition.

To support this goal, the Executive Team have remuneration targets related to the percentage of Motability Scheme customers choosing to take an EV. To ensure 'seamlessness' they must also achieve challenging customer satisfaction targets throughout the transition.

What this means for us

The climate challenge presents both risks and opportunities for our business, particularly as we transition to EV and zero emissions mobility for a low carbon future. Climate-related risks and opportunities are embedded in our strategic and financial planning processes and reviewed regularly by committee.

Find out more about how we're embedding this from page 40 of our Impact Report

Who we are

Our impact in 2024

Navigating a changing world

Governance

Financial statements

Appendix

Key

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

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.

We are reporting climate change as a principal risk. See page 49 of the Risk section for the full disclosure. From our risk assessment processes, three potentially material climate-related risks have been identified, as set out below:

Risk type	Risk description	Potential financial impact	Mitigation measures
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 existing 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
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
Physical: Acute Magnitude of impact Likelihood Time horizon	• Supply chain challenges for the production of EVs due to availability of materials needed (focused on EV availability and cost)	• Increased operating costs 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

Qualitative climate scenario analysis

Our focus this year has been on our climate scenario analysis where we have assessed the risks and opportunities in the context of our strategy and objectives, including climate change. The climate crisis presents an uncertain future for the world. We recognise it as a principal risk that has significant potential to impact our business success and resilience, now and in the future. Below is an overview of how we have measured and ranked our risks and opportunities.

Methodology

- Identified time horizons and climate scenarios
- Reviewed our 2023 materiality assessment to extract relevant climate-related risks and opportunities
- Conducted a peer and literature review to identify any additional climate-related risks and opportunities
- Used two contrasting climate scenarios (a high carbon and a low carbon) to assess the different risks and opportunities across the defined time horizons
- Created a climate risk and opportunity register in line with our risk register
- Added current controls to define gross and net risk ratings (likelihood and impact)

Time frames

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

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

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

Impact

The potential severity or consequences of a risk event, providing an indication of likely disruption

Likelihood

The probability of a specific risk or opportunity occurring

Climate scenarios considered

High carbon (4°C)

This scenario represents a 'business-as-usual' projection assuming that there is limited climate action and lagging policies. In this scenario action is insufficient to limit global warming to 1.5 degrees and transition to a low-carbon economy. In this scenario temperatures are projected to reach 4°C above pre-industrial levels. Physical risks such as increased frequency and intensity of extreme weather events are likely to be much more severe.

Low carbon (1.5°C)

This scenario assumes that we achieve the goal of the Paris Agreement, to limit temperature rise to 1.5°C above pre-industrial levels by reaching Net Zero by 2050. This scenario was selected as it aligns with Motability Operations' ambitions of supporting the transition to net zero and highlights the characteristics of a world where rapid decarbonisation has occurred to avoid the worst impacts of climate change.

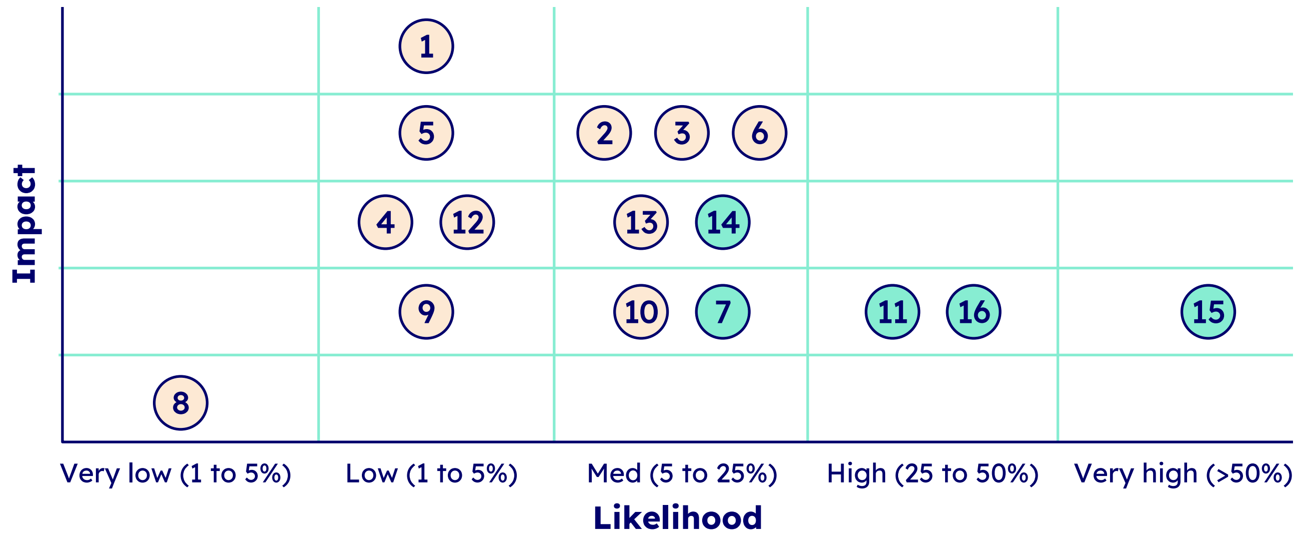
In this scenario, the most likely risks are those associated with the transition to a lower-carbon economy, for example higher carbon prices and increased regulations. In comparison physical risks will be lower than in a high-carbon scenario.

Inputs:

- Existing principal risks
- Impacts aligned to business risk matrix
- Output from the materiality assessment
- Publicly available scenarios International Energy Agency (IEA), Network for Greening the Financial System (NGFS) and the Bank of England's 2021 Climate Biennial Exploratory Scenario (CBES) Assurance
- Validated scenarios with Business Risk and the existing enterprise risk register
    - Ensured approach was aligned to economic capital process Impacts assessed in line with business risk matrix and appetite
- Approach aligned to best practice with help of climate consultancy, Seismic
- The climate scenario analysis confirmed the principal risks in the climate-related financial disclosure remain appropriate and are factored into our business strategy and aspirational goals

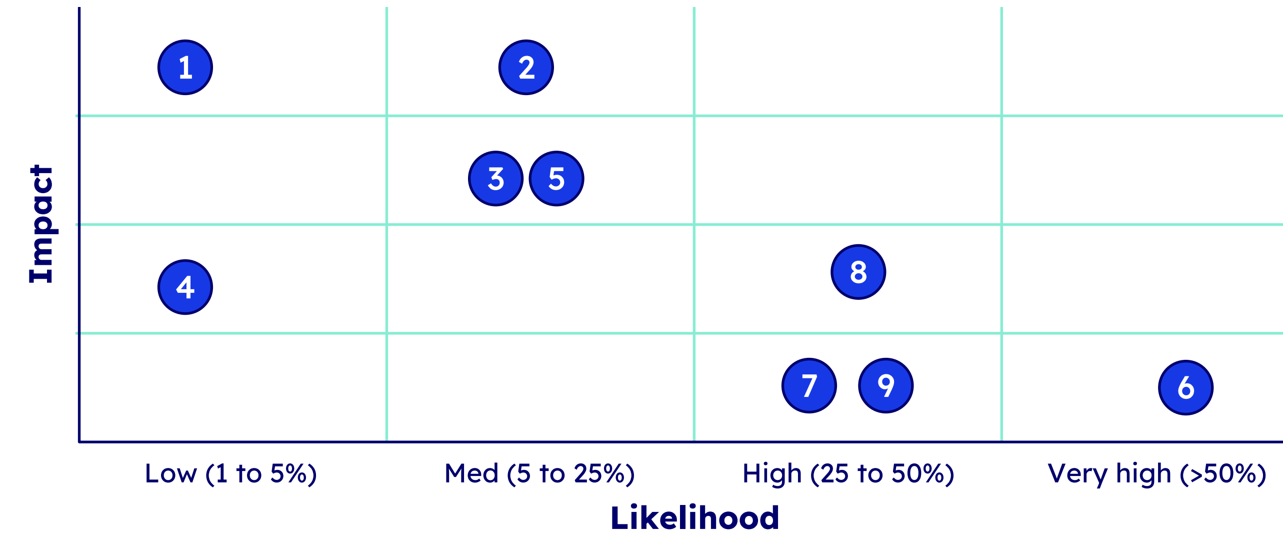
Based on our qualitative climate scenario analysis, we believe our current strategy is resilient to the impacts of climate change across the two scenarios we assessed, thanks to our robust risk management processes and controls we have already in place to address key identified risks. These controls include residual value forecasting, supply chain diversification and investing in the EV transition.

Climate risks



1. A change in the residual value of vehicles on the Motability Scheme
2. Increased costs as a result of carbon pricing and taxation
3. A reduction in the range of vehicles available to customers due to climate legislation
4. Not complying with mandatory climate-related regulations
5. Changing stakeholder sentiment, particularly in relation to the debt capital markets
6. Supply chain challenges of EVs like availability of raw materials
7. Changing consumer behaviour and sentiment towards car travel or EVs
8. Availability and cost of renewable energy
9. Limited number of skilled workers to maintain and repair EVs and their batteries
10. Insufficient and inaccessible EV charging infrastructure
11. New technologies such as EVs underperforming versus ICE vehicles
12. Reputational risk of not achieving environmental targets
13. Reputational risk of not transitioning customers to EV
14. Physical impacts of climate change on the business, the supply chain and third parties
15. Risk of increased insurance claims and associated losses
16. Climate-related severe weather events or damage that disrupts operations

Climate opportunities



1. Potential increased value of fleet if MO successfully transitions fleet to EVs, due to the UK Government's EV policy
2. Increased choice and improved affordability of zero emission vehicles resulting from the ban on new petrol and diesel cars from 2035
3. Developing partnerships and investing in product innovation that has a reduced negative impact on the environment, drive the transition to EVs
4. Improved reputation and/or external ratings (financial and ESG) as a result of complying with climate-related regulations, committing and delivering climate action, successfully transitioning to net zero and a fully EV fleet
5. Increased investment opportunities/ green funding due to MO's climate action and creation of a sustainability linked bond framework
6. Transitioning to 100% renewable energy sources for all sites, resulting in potential operational savings due to rising fuel costs
7. Investing in upskilling people at refurbishment plant at Coalville to address technician shortage within the EV industry
8. Implementing circular economy principles across the business and within car refurbishment to reduce the use of virgin materials
9. Improving environmental, social, nature and biodiversity impacts in the communities where MO operates

Key

High carbon scenario global temperature rise around 4°	**Low carbon scenario** global temperature rise of 1.5° or less

Go to Impact Report glossary for detailed breakdown

Motability Foundation

A word from the Motability Foundation

The Motability Foundation is building a future where all disabled people have the transport options to make the journeys they choose. We oversee Motability Operations to deliver the Motability Scheme, and we are enormously proud that there are now more than 800,000 customers leasing a Scheme vehicle. In addition to our oversight role, we provide means-tested grants to help people access the Motability Scheme and fund the right vehicle. More than 15,000 Motability Scheme customers received a grant from us in the year ending March 2024.

We are a charity, and we have a responsibility to make sure we use our funds to achieve the biggest impact. Motability Scheme related grants continue to account for the greatest proportion of our charitable spend, totalling more than £72m last year.

Beyond the Motability Scheme, we award grants to other organisations that provide different types of transport or carry out research into how to make transport accessible, which expands disabled people's options in communities right across the UK. This ranges from community transport to active travel to travel confidence training for people using public transport. We estimate that the grants given in the year ending March 2024 will support more than 221,000 disabled people to travel over the grant period.

We also carry out our own research and innovation to make transport more accessible, both now and in the future. As well as funding the National Centre for Accessible Transport, we awarded three Transport Design Scholarships to PhD students totalling £381,017. We also funded six User Research Grants totalling £1.4m to charities and organisations exploring experimental and new ways to make transport more accessible for disabled people.

It's an exciting time for the Foundation but there are uncertainties and it's important that we plan ahead. In the year ending September 2023, Motability Operations donated £250m to the Foundation, but further donations in the near future are unlikely. Meanwhile, the transition to electric vehicles (EVs) presents a seismic shift for drivers, industry, Scheme customers, Motability Operations and the Foundation.

We believe the evolving transport landscape, whilst challenging, will also present new opportunities for closing the transport accessibility gap. It is timely then that we are in the process of developing our new strategy, to create a robust plan for the next five years. Consulting disabled people, disabled people's organisations and stakeholders has been crucial to ensure that everything we do supports disabled people's transport options, now and in the future. Ultimately, the strategy will help us achieve our vision: building a future where all disabled people have the transport options to make the journeys they choose.

> "We are a charity, and we have a responsibility to make sure we use our funds to achieve the biggest impact."

Our year in numbers

- 15,142 grants provided to Motability Scheme customers, worth £72.6m
- Three Design Scholarships awarded, totalling £381,017
- 43 grants to organisations, supporting 221,000 people
- £50m allocated for grants to charities and organisations over three years
- Six User Research Grants given, totalling £1.4m
- Direct mail to 697,917 people receiving higher rate Disability Living Allowance (DLA) or Personal Independence Payments (PIP)

User Research Grants programme

Our User Research Grants programme supports charities and disabled people's organisations to carry out research on transport and disability with their beneficiaries.

In April 2024 we announced grants for six new charity-led research projects, covering topics including the transport challenges faced by autistic and neurodiverse people, how car clubs could be made more inclusive and the impact of disability hate crime on public transport. Reports from each of these research projects will be published by spring 2025.

In the past year several important pieces of research have been published which were funded by User Research Grants.

These include a report from the Wheelchair Alliance on the value of a wheelchair. Their research revealed that the provision of high-quality wheelchairs does not only have significant beneficial impact on disabled people's lives but also leads to financial benefits for the NHS and society.

We also funded sight loss charity Visionary's research into how public transport could be improved for blind and partially sighted people. The report provides a series of recommendations for charities to provide greater support to people with visual impairments.

In July 2024 we held a special convening event in London where five charities shared the results of research projects funded by our User Research Grants.

Bringing organisations together in this way is key to making sure the research we fund is shared and disseminated, so that the voices and experiences of disabled people are front and centre of projects to improve transport.

Motability Operations

Our dynamic and robust approach

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

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

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

We have a Director with specific responsibility for risk, as well as a dedicated Risk Management function. The Risk Management function is predicated on a dynamic business partnering approach, supporting the business with identification of risks and opportunities, control reviews, risk awareness and enhancing Motability Operations' approach to ERM. This approach ensures the Executive are aligned on the most significant areas of risk/opportunity.

The challenges the business faces have become more complex. The risk landscape is continually evolving, fuelled primarily by the rapid pace of change, globalisation, automotive industry and economic challenges and rapid Scheme growth. To support this, the Business Risk team continues to focus on the wider landscape of emerging risks and forward-thinking analysis of external threats and opportunities. This ensures ERM is embedded within business strategy and transition, facilitated through the business partnering approach.

Our dynamic emerging risk and opportunity (ERO) framework identifies key areas of risk that could impact the Company's ability to execute its strategy.

These areas are closely monitored using a variety of techniques, such as horizon scanning and spotlight reviews with business experts.

The risk framework is reviewed monthly by the RMC and quarterly by the Executive team. Early identification and review of emerging risks and opportunities is a key element of our ERM approach.

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

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

Risk identification and monitoring

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

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

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

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

Risk management framework

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 Audit reviews

Principal risks

Key

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

1. Residual values risk

Net impact*	Net likelihood*	Risk status
High	High	▲

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

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

Change to risk status

- Increased risk status remains primarily due to the volatility in the used car market. The current period has seen record upwards and downwards movements on prices for both electric vehicles (EVs) and ICE vehicles, with the volatility expected to endure into the medium term.

Potential impact

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

How we mitigate

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

Link to strategy

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

* Net assessment incorporates mitigating controls.

2. Insurance risk

Net impact*	Net likelihood*	Risk status
High	Medium	▲

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

Change to risk status

- Increasing risk status remains, driven primarily by challenging market conditions, increasing claims frequency and rapid scheme growth

How we mitigate

- An established reinsurance captive, managed through a wholly owned subsidiary (MORL), continues to deliver a robust and cost-effective insurance solution
- Embedding control improvements through the move to a new insurance provider, 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 expertise
- Diversification of supply across highly rated reinsurers
- The recruitment of a dedicated Insurance Director to oversee our insurance strategy

Link to strategy

- Our insurance arrangement has been carefully designed to ensure that the structure delivers value for customers and is sustainable into the long term as we transition to a predominantly electric fleet

Motability Operations

Key

Low	Medium	High	Very high	Increasing	Stable	Decreasing
●	●	●	●	▲	◀▶	▼

3. Treasury risk

Net impact*	Net likelihood*	Risk status
High	Medium	◀▶ Stable

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

Change to risk status
- Risk status is stable
- Looking ahead to the coming years, Motability Operations may need to raise potentially £3bn+ of incremental funding as well as financing scheduled maturities. 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 long-term effects of Brexit could also impact the UK's sovereign credit rating, which would impact Motability Operations

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

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

Link to strategy
- The strategic pillar of ensuring long-term sustainability guides our approach to determining treasury policy, which is designed to be risk-averse

* Net assessment incorporates mitigating controls.

4. Credit risk

Net impact*	Net likelihood*	Risk status
Low	Low	◀▶ Stable

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

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

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

How we mitigate
- Advance Payments are received in advance of releasing the vehicles to customers
- Sold cars are released after the receipt of payment

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

Key

Low	Medium	High	Very high	Increasing	Stable	Decreasing

5. Operational risk

Net impact*	Net likelihood*	Risk status
Low	Medium	Stable

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

Change to risk status
- Risk status remains stable
- Company strategy has identified key areas of focus and investment, including supporting the transition to electric vehicles (EVs)
- Development of the business model and strategic initiatives consider future risks and improvements to processes and controls
- Delivery of a new telephony platform has increased resilience and reliability of this primary service

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

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

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

6. Cyber risk and information security

Net impact*	Net likelihood*	Risk status
High	Medium	Increasing

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

Change to risk status
- The increased risk status is linked to continuing threats faced by all companies and the increase in attacks across the UK, in particular ransomware. This risk has been exacerbated by the Russia/Ukraine war and focus on cyber as a means of attack
- Evolution of online customer accounts and services has increased our digital footprint
- Like most organisations, Motability Operations is increasingly exposed to cyber risk via third-party associations and system connectivity

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

How we mitigate
- Information security framework aligned to best practice and industry standards
- Dedicated security operations model in place to monitor threats 24/7
- Designated Data Protection Officer 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
- Cyber response exercises performed with the Executive team and operational teams as part of ongoing assurance activity

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

* Net assessment incorporates mitigating controls.

Key

● Low	● Medium	● High	● Very high	▲ Increasing	◀▶ Stable	▼ Decreasing

7. Supplier failure risk

Net impact*	Net likelihood*	Risk status
●	●	◀▶

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

Change to risk status
- Increasing risk status due to prolonged inflationary pressures and rapid scheme growth increasing pressure on partners

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

How we mitigate
- 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
- Expansion of the Procurement team to offer business-wide support

Link to strategy
- Through our regular business reviews, we assess the performance and stability of all main Scheme suppliers, including contingency planning in the event of a major failure

8. Business continuity risk

Net impact*	Net likelihood*	Risk status
●	●	◀▶

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

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

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

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

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

* Net assessment incorporates mitigating controls.

Motability Operations

Key

Low	Medium	High	Very high	Increasing	Stable	Decreasing
●	●	●	●	▲	◀▶	▼

9. Climate risk

Net impact*	Net likelihood*	Risk status
Medium	Low	◀▶ Stable

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

Change to risk status

- Risk status remains stable
- Increased political and social focus on climate change presents a significant opportunity
- We continue to take a proactive approach to managing the CO_2 emissions agenda
- Customer transition to EV is reliant upon many factors such as vehicle suitability, price and charging infrastructure
- Investment and support for customers transitioning to EV
- Impact and Sustainability Committee in place to ensure that Motability Operations' (I&S) strategy is agreed and implemented

Potential impact

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

How we mitigate

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

Link to strategy

- The Lean into green strategy will underpin the strategic approach and initiatives that will support the development of the long-term customer proposition
- Fulfilling unmet needs is a core component of the strategy, which includes exploring new products and services
- Motability Operations continues to publish a company Sustainability Report

* Net assessment incorporates mitigating controls.

Key

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

10. People risk

Net impact*	Net likelihood*	Risk status
Medium	Medium	◀▶ Stable

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

Change to risk status

- Risk status remains stable
- Loss of key employees/leaders may have an adverse impact on operational delivery and decision-making through the loss of skills, capability and corporate knowledge

Potential impact

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

How we mitigate

- Motability Operations has adopted 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 team
- 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

Link to strategy

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

11. Transformation risk

Net impact*	Net likelihood*	Risk status
Medium	Low	◀▶ Stable

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

Change to risk status

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

Potential impact

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

How we mitigate

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

Link to strategy

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

* Net assessment incorporates mitigating controls.

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 2024. This is in addition to the diversification impacts within the different risks themselves. Post-diversification, the EC requirement, as assessed through modelling, stands at £3bn.

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 £3.99bn) was considered by the Executive team 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.

Forecasting residual values

An estimated residual fleet value of £11.9bn means that even a 1% error in our forecast equates to a £119m 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.

A strategic review of Motability Operations' Risk Appetite Framework (RAF) was initiated at the end of FY2024 and is intended to future-proof the way risk appetite is set and managed across the business and complement Motability Operations' existing ERM approach.

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Viability statement

While the Company is not required to comply with the 2018 UK Corporate Governance Code, the Executive team has voluntarily considered provision 31 as if it applied, and has assessed the prospects of the Company over a longer period than the 12 months required by the 'going concern' provision. The Executive team has assessed Motability Operations Group plc's viability over a three-year period to September 2027.

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

98% of customers take up a three-year lease product and, given the Group's objective of providing sustainability and affordability to customers, it is appropriate to assess the Company's viability across a period in which existing contractual obligations to customers can be fulfilled; and

Linked to this, over 95% of the Group's existing residual value risk will unwind across this same time period.

This assessment has been made taking account of the current position of the Group, its core three-year lease product, corporate planning process and the Group's key risks, as detailed in the Risk report on pages 43 to 52.

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

The financial assessment focused on capital adequacy and liquidity under a range of stress scenarios, such as delayed/failed bond issuance and varying levels of fleet volume. The review includes a specific assessment of severe but plausible reductions in residual values related to various economic impacts.

As detailed in the Chief Finance Officer's statement on pages 17 to 21, the Group's closing financial position reflects capital reserves of £3.8bn, which provides headroom above the policy position (to hold capital at 99.99% confidence, plus buffer).

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

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

- The Group will be required to repay three bonds in the next three years, in March 2025 (€500m), January 2026 (€600m) and July 2026 (£300m).
- The Executive team 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 team 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 team 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 level of reserves
- Motability Operations will continue to minimise the impact of financial volatility through effective realisation and management of residual values
- Motability Operations will continue to maintain access to funding with sufficient headroom to meet its financing needs
- Motability Operations will continue to focus and invest appropriately in IT infrastructure to ensure that a stable and resilient operating platform is maintained
- Motability Operations will ensure that strategic activities are developed and align to the 'Lean into green' environmental objective to have a material positive impact on society and the environment
- The Executive team therefore concludes that, based on the extent of the corporate planning process and strong financial position, there is a reasonable expectation that the Group has adequate resources and will continue to operate and meet its liabilities over the period of its assessment

Section 172 Companies Act 2006

Compliance with Section 172 Companies Act 2006

We report here on how our Directors have performed their duty under Section 172(1) of the Companies Act 2006 (S172). When making decisions, each Director and member of the Executive team ensures they act in the way they consider, in good faith, would most likely promote the Group's success for the benefit of its members as a whole.

This S172 statement explains how the Board of Directors has engaged with employees, suppliers, customers and others. And has had regard to employee interests, the need to foster the Company's business relationships with suppliers, customers and others. As well as the effect of that regards, on the principal decisions taken by the Company during the financial year.

Approved by the Board of Directors on 18 December 2024 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: Balancing growth with delivering value (page 9), Finding innovative solutions (page 10)
- Wheelchair Accessible Vehicles (page 27)
- Measuring our success (pages 21 to 24)
- Impact and sustainability (pages 29 to 40)
- Board activities (page 61)

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

- Our people (page 30)
- Governance (pages 55 to 68)
- Remuneration report (page 73)
- Statutory and non-financial information (page 85)

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

- Our stakeholders (pages 57 to 59)
- Impact and sustainability (pages 29 to 40)
- Statutory and non-financial information (page 85)

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

- Our people (page 30)
- ESG (pages 34 to 40)
- Statutory and non-financial information (page 85)

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

- Governance (pages 55 to 68)
- Statutory and non-financial information (page 85)
- Risk management (pages 43 to 52)

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

- Our stakeholders (page 57 to 59)
- Directors' report (page 86)
- Governance (pages 56 to 68)

Governance

Governance

Introduction

Effective corporate governance ensures 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 2024.

The Board is responsible for promoting the 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 purpose, vision, mission and values of the Company. We believe that our clear governance framework enables the Board to operate effectively.

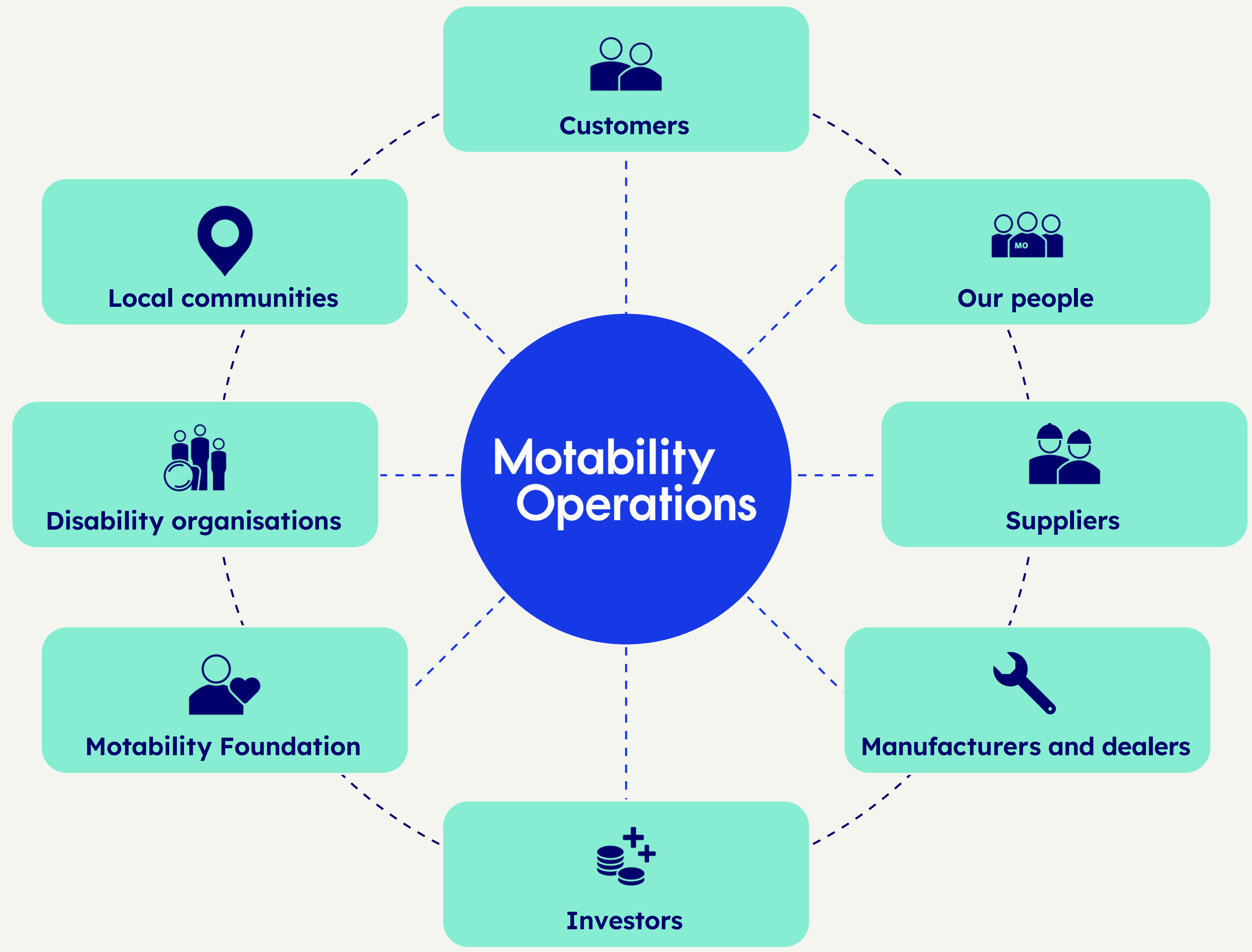
The way we operate also depends on having the right balance of skill, knowledge and experience. The Board is determined to maintain the highest standards in the way we work, just as in the way the wider business operates. As part of our process for self-reflection and improvement, we undertook an assessment of effectiveness and conducted an internal Board evaluation.

Our stakeholders

This section provides insight into how the Board engages with 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 members of the Executive Committee 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.

Our stakeholders



Stakeholders	What matters to them	How we listen	Actions we've taken
Customers	• Access to safe, affordable mobility solutions as part of our all-inclusive leasing 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 Motability Scheme, including EV drivers	• We regularly communicate with our customers through a range of media including customer newsletters, our social media channels, the Motability Scheme website and bespoke customer letters • We've invested £543.9m in New Vehicle Payment (NVP) to renewing and new to Motability Scheme customers to date • With one of the largest EV fleets in the UK, we're at the forefront of the charging market and have supported over 70,000 customers to make the switch and facilitated the installation of over 37,000 home chargers. We also have more than 13,000 EVs in the pipeline • We have invested circa £85m 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 You can find more information in the Our people section on page 30	• 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've made investments into our offices, to create new flexible spaces where our employees can be together • We have invested in learning and development, including a 'Change Management' workshop to support our teams through our period of transformation • This year we launched the MOscars to recognise and celebrate exceptional achievements
Suppliers	• Our Motability 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 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 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 • The transition of insurance from RSA to Direct Line Group has been a resounding success with customer satisfaction scores remaining consistent • The Company publishes its payment reporting data bi-annually. 99% of all invoices were paid within its standard payment terms of 30 days

Stakeholders	What matters to them	How we listen	Actions we've taken
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 Motability Scheme. As retail models change in line with mobility manufacturer trends and customer behaviour, we're working with manufacturers to ensure we maintain choice and affordability for our customers	• We've 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 centres, field teams and regular business briefings. This helps to improve awareness and understanding of the Motability Scheme and the challenges faced	• While we take responsibility for the overall customer experience, around 14,000 trained Motability Scheme specialists employed by the car, scooter and powered wheelchair dealerships conduct the primary face-to-face relationship with the customer. More than 3,900 dealers provide front-line services for customers • We continue to provide high-quality training for Motability Scheme specialists through our online platforms and this year we launched a bespoke EV training module to ensure our customers are well informed about the EV offering • Our dealerships provide the 'shop window' for the Motability Scheme, and are incentivised to provide all-encompassing excellent service to our customers. As a result of this consistently high delivery, the dealership network has been rewarded through Motability Dealer Partnership Programme payments
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 ESG credentials. While 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 transparency is key and as part of our rolling refinancing programme, the Executive team makes itself available for a comprehensive investor roadshow prior to any new bond issuance	• Investor feedback to support our thinking towards ESG. We issued six dual-tranche issuances under the Group's Social Bond Framework • Our third annual report on Eligible Social Projects will be published in January 2025, 12 months after the Group's January 2024 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 41 for details	• We continue to work closely and collaborate with the Foundation on how we run the Motability Scheme and our innovation initiatives • We engage with them through various channels including regular working groups, the Motability 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	• 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

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Stakeholders	What matters to them	How we listen	Actions we've taken
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 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 Motability 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 Motability 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	• At the start of 2024, we began our mentorship programme with Envision, a good cause that works with schools and businesses to enable young people to undertake a social action project in their school • The Spring Fund was launched in March 2024 via the Neighbourly Foundation to support community charities that give provisions to families in need across the UK

Corporate governance report

For the year ended 30 September 2024, under the Companies (Miscellaneous Reporting) Regulations 2018, the Company has applied the Wates Corporate Governance Principles for large private companies.

Principle 1

Purpose and leadership

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're 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 in 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 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 and 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.

Principle 2

Board composition

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

The responsibility of the Independent Non-Executive Chairman includes leading the Board and ensuring its effectiveness. This includes setting the agenda for Board meetings, promoting a culture of openness and debate and, with the assistance of the Company Secretary, arranging for the Directors to receive timely, accurate and clear information ahead of Board meetings.

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

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

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

Motability Operations

Board engagement in action

November 2023

- Refurbishment of the Coalville site had commenced
- Deep dive session on Vehicle Solutions strategic plans
- Decision to secure new London premises at 22 Bishopsgate
- Considered the outcome of the Board evaluation report and agreed to include focus on the customer at each Board meeting, create a skills matrix for the Nomination Committee and include a Corporate Governance update to the Board annually

December 2023

- Received and considered the Customer Satisfaction Index results, which showed exceptional customer satisfaction at 9.6 out of 10
- Resolved the Company's EMTN programme be updated and increased to £8.5bn
- Approved the Annual Report and Accounts
- Approved the extension of the appointment of Neill Thomas (Senior Independent Non-Executive Director), Simon Minty, Ruth Owen, Alison Hastings and Ruth Prior (Independent Non-Executives)
- Approved the succession plans for the Executive Committee

March 2024

- Held the AGM of the shareholders to receive the Annual Report and Accounts, and approved KPMG LLP as auditors for the Group
- Received an update on the Value Comparison work indicating the Company proposition was better value than the next direct comparator
- Approved the Heads of Terms for the Motability Scheme Agreement which governed the relationship between the Company and the charity, Motability (operating as the Motability Foundation)
- Reviewed and approved the Whistleblowing Policy (Audit Committee)

April 2024

- Approved the interim report and accounts
- Approved the increase of the EMTN bond programme to £12bn

June 2024

- A focus on good customer outcomes, including the presentation of an EV readiness segmentation model to allow the call centre to manage suitable customers for EVs and Customer Marketing to develop a targeting education and EV adoption communications plan
- Approval of proposal to raise £3bn bond finance to support continued growth of the Motability Scheme

September 2024

- Members of the Board including the Chairman, Rt. Hon. Sir Stephen O'Brien KBE attended the Big Event in Edinburgh. See page 5 for more information.
- Considered the independent report in relations to the Company Funding Strategy
- Approval of the annual operating plan to deliver the continued strategic direction
- Assessment of the Skills Audit and approval of the proposed actions to support future-proofing the Board (NomCo)
- Consumer Duty Board report (published in July 2024 on behalf of Motability Operations Limited, the regulated subsidiary of the Board) was presented to the Audit Committee

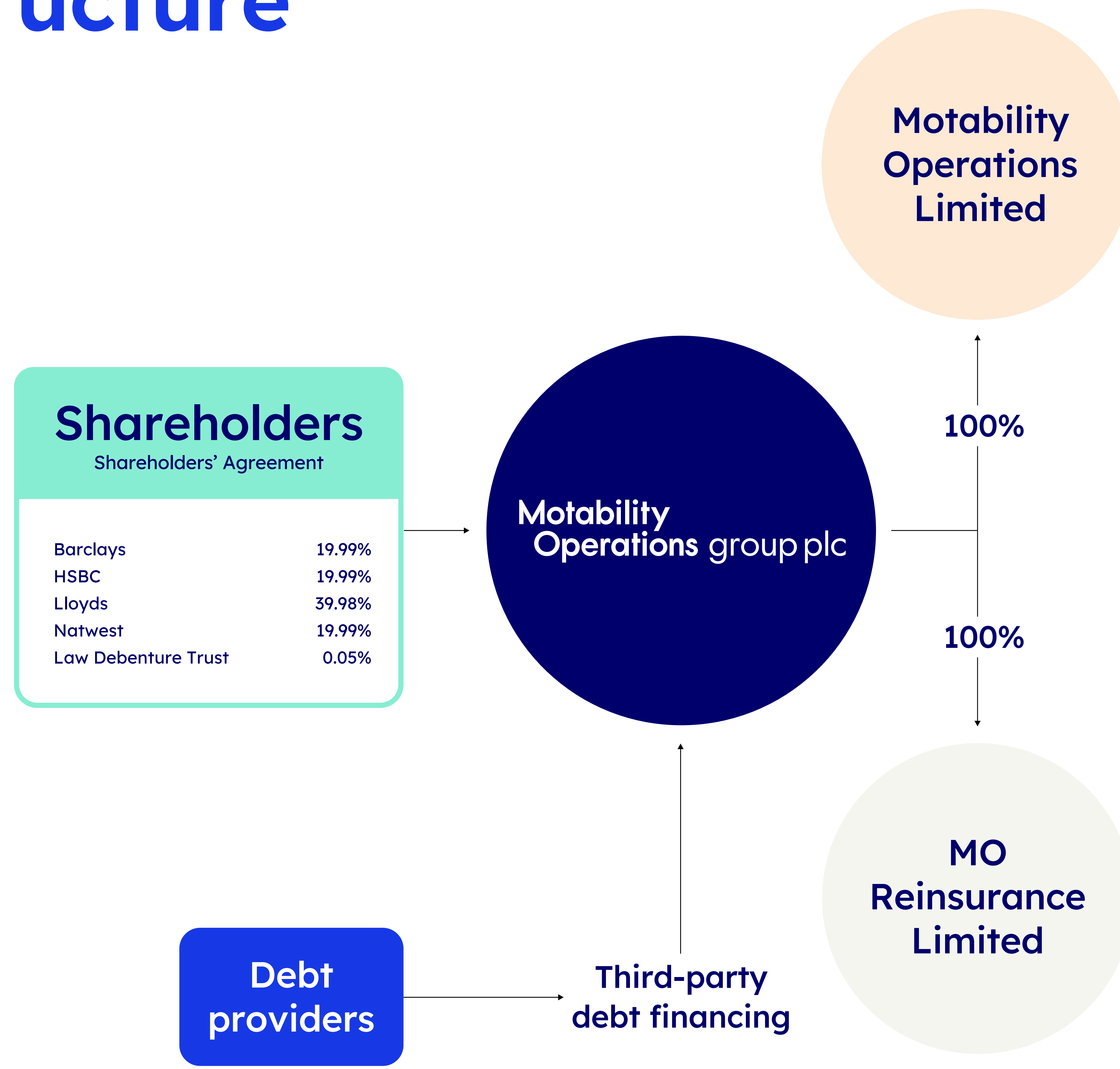
Motability Operations

Corporate structure

The Board's responsibilities

Matters reserved for the Board include:

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



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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.

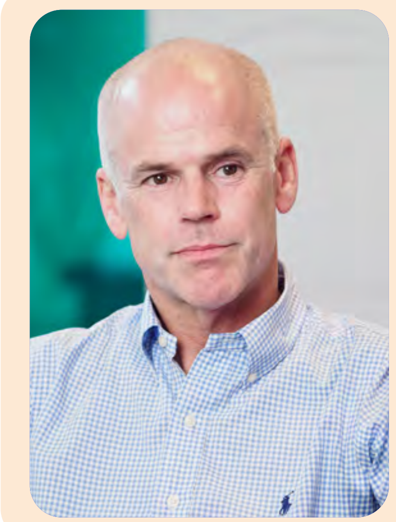
Chair and member of the Nomination Committee.

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

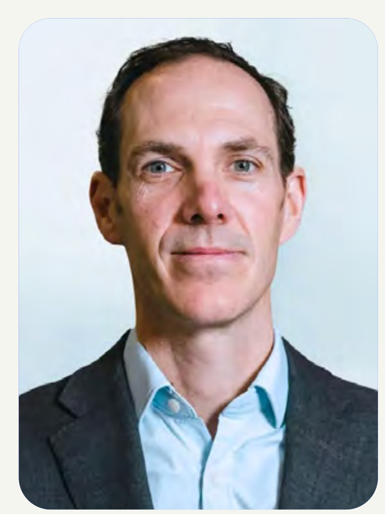
Chief Finance Officer
Matthew was appointed as Chief Finance Officer of Motability Operations Group plc on 1 October 2016.

Non-Executive Directors

Chris Davies

Independent Non-Executive Director
Chris was appointed as an Independent Non-Executive Director of Motability Operations Group plc on 1 July 2020.

Member of the Audit Committee and Chair of the Remuneration Committee from 1 March 2024.



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 (alternate: Jayne Seaford, appointed 16 July 2021).

Member of the Audit Committee.

James Holian

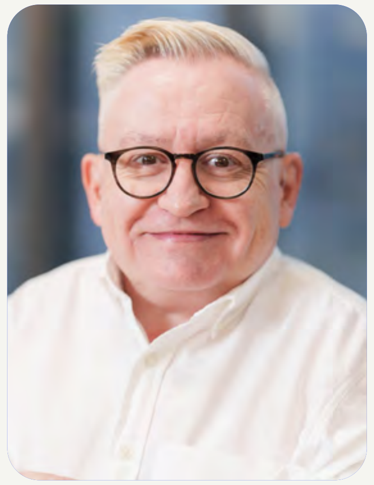
Non-Executive Director
James was appointed as a Non Executive Director of Motability Operations Group plc on 1 July 2024 (alternate Peter Lord, appointed 1 July 2024).

Member of the Audit Committee.

Daniel Meredith Jones

Non-Executive Director
Daniel was appointed as a Non-Executive Director of Motability Operations Group plc on 7 September 2016 (alternate: Simon Amess, appointed 1 December 2019).

Member of the Audit Committee and the Remuneration Committee.



Simon Minty

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

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 the Remuneration Committee.

Neill Thomas

Senior Independent Director
Neill was appointed as an Independent Non-Executive Director of Motability Operations Group plc on 1 September 2014 and Senior Independent Director on 7 June 2018.

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

Jo Pentland

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

Principle 3

Director responsibilities

Accountability

To deliver for our customers and all stakeholders, we create an environment which focuses on trust, transparency and accountability. These are the building blocks of corporate governance which allows the Company to ensure the delivery of solutions that improve our customers' lives and ensure that the Motability Scheme remains sustainable in generations to come. Our Board has a clear strategy, strong and appropriate risk control, and we have the right people in place to ensure this is effectively overseen and delivered. We have a strong culture, with all Executive Directors having stretching objectives for the year. This provides the framework for performance assessment at an individual level.

Clearly defined lines of accountability and delegation of authority, alongside well-established policies and procedures in respect of financial planning and reporting, the preparation of monthly management accounts, project governance and information security, all form part of our internal control systems that ensure the accuracy and reliability of financial reporting.

We comply with the relevant provisions of the Companies Act 2006, the Financial Conduct Authority's (FCA) Disclosure and Transparency Rules and with its Listing Rules applicable to a company with wholesale debt admitted to trading on the London Stock Exchange's regulated market. Our subsidiary, Motability Operations Limited, is governed by and complies with the requirements of the FCA as a limited permission firm. The Company's first Consumer Board Report was published this year which gave an overview of how the Company ensures that customers and good outcomes for our customers are at the heart of what we do.

Our culture and people are intrinsic to our achievements, and we're committed to the recruitment and retention of an engaged and motivated workforce. The Company's culture, complexity and the scale of risks faced, as well as its annual performance, are all integral measures in addressing remuneration. Motability Operations regularly reviews remuneration against the market and makes use of pay and benefit programmes which support the achievement of its objectives.

Committees

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

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

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

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

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

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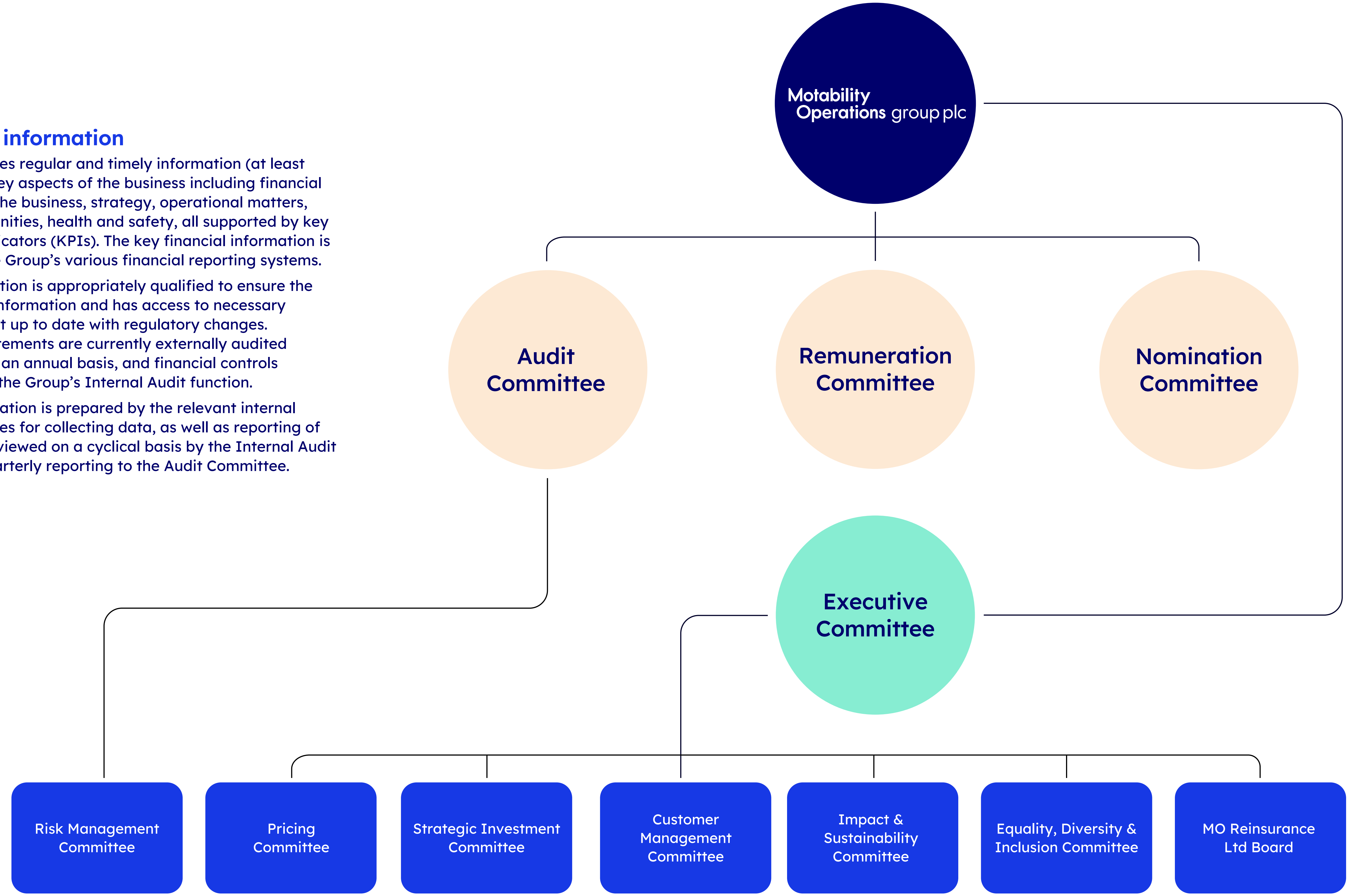
Governance structure

Integrity of information

The Board receives regular and timely information (at least monthly) on all key aspects of the business including financial performance of the business, strategy, operational matters, risk≈and opportunities, health and safety, all supported by key performance indicators (KPIs). The key financial information is collated from the Group's various financial reporting systems.

The Finance function is appropriately qualified to ensure the integrity of this information and has access to necessary training to keep it up to date with regulatory changes. The financial statements are currently externally audited by KPMG LLP on an annual basis, and financial controls are reviewed by the Group's Internal Audit function.

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



Principle 4

Opportunity and risk

The Board seeks out opportunity while mitigating risk.

Opportunity

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

See page 7 for our strategic pillars

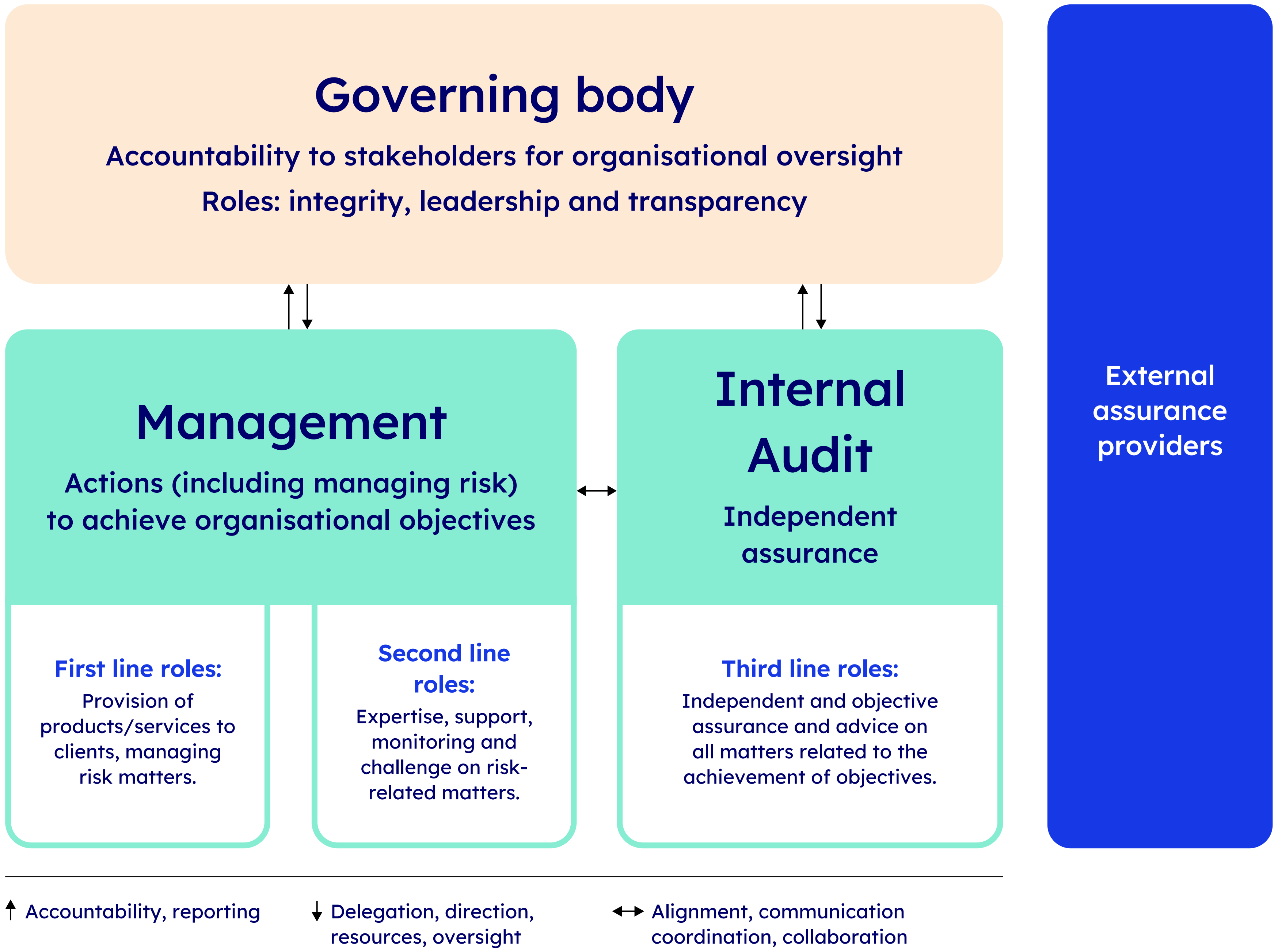
As one of the UK's biggest fleet operators, we recognise our impact on the planet, our customers and our people. We continue to take a proactive approach to our impact and sustainability agenda and strategy, not least via our journey to B Corp certification and the publication of our Impact Report. You can find more about our impact and sustainability journey on page 29.

A copy of our statement of carbon emissions in compliance with Streamlined Energy and Carbon Reporting (SECR) is available on page 35. Motability Operations is registered with the Carbon Trust.

Risk

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

The IIA's three lines model



We have an Executive Director with specific responsibility for risk, as well as a dedicated Risk Management function that is integral to coordinating, monitoring and advising on control activities. The business's appetite for risk is managed through a comprehensive and independently verified Risk Appetite Framework. We have designed our risk management framework around the 'three lines model'.

We regularly review our risk management framework to ensure that it remains appropriate to the business and its strategy. These updates include regular assessments of risks and controls, including the update of risk registers, and early identification of any emerging risks to the achievement of our stated objectives. Further details of our risk management framework and approach are outlined in the Strategic report on pages 43 to 52.

The Risk Management Committee, consisting of Executive Committee members and other key employees, ensures that inherent and emerging risks are identified and managed appropriately and in a timely manner. The Company's principal risks and mitigations are outlined in the Risk report (on pages 43 to 52).

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

Principle 5

Remuneration

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

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

In the interests of continued transparency in relation to the remuneration of the Executive, Motability Operations voluntarily elects to publish a Remuneration report. The aim of the report is to set out the key elements of our Remuneration Policy, ensuring that a robust and reasonable balance is achieved between financial reward and performance. The report also demonstrates how the Remuneration Policy has been applied in the current year and the intended approach for the forthcoming year. You can find the detailed report on pages 73 to 84.

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

Principle 6

Stakeholders

The Board is clear that good governance and effective communication are essential on a day-to-day basis to deliver our purpose and protect the Company's reputation and relationships with all our stakeholder community, including customers, employees, suppliers, the Motability Foundation, manufacturers and dealers, disability groups, investors and the local communities in which we work. The Stakeholder section at pages 57 to 59 provides insight into how the Board engages with our stakeholders.

Motability Operations

Audit Committee

Effective risk management is crucial to protecting the Motability Scheme's sustainability.

Ruth Prior
Chair of the Audit Committee

Committee at a glance

Membership

- Ruth Prior (Chair)
- Christopher Davies
- Dan Fairclough
- James Holian (appointed 1 July 2024)
- Michael Hordley
- Daniel Meredith Jones
- Peter Pritchard
- Neill Thomas
- Robert Whittick (resigned 30 June 2024)

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 control. It:

- Oversees the integrity of the Company's financial statements by reviewing material financial risk estimates which have a bearing on the financial statements
- Together with the Risk Committee, monitors the adequacy and effectiveness of the systems and internal control. It 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

2024 highlights

- Reviewed and recommended for approval the half-year and full year financial results
- Assessed and evaluated the proposed adoption of UK GAAP by MO Reinsurance Limited (MORL)
- 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
- Evaluated the performance of MORL and effectiveness of its governance committees, namely the Audit & Risk, Underwriting and Investment Committees
- 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
- Evaluated the Company's compliance with key legislation and the procedures for ensuring compliance with legal and regulatory requirements
- Assessed the appropriateness of the Consumer Duty Board Report

2025 priorities

- Assess material financial risk estimates and judgements, including revaluation of residual values, the adequacy of MORL's insurance reserves and service, maintenance and repair accruals
- Evaluate the governance arrangements in respect of insurance and MORL
- Review and assess climate-related disclosures

Detailed report

The Audit Committee comprises three Independent Non-Executive Directors and four shareholder-appointed Non-Executive Directors, and the Foundation has observer rights. Chris Davies and I are serving Company CFOs. The Executive Directors, other members of senior management, the Head of Internal Audit and the external auditors (KPMG LLP) are in attendance where appropriate.

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

- Review and recommend the annual assurance plan to the Board and receive progress reports from Internal Audit
- Oversee all assurance activity and monitor the adequacy and effectiveness of such activity
- Review audit reports and monitor management's progress against agreed actions
- Appoint and dismiss the external 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, but not limited to, the periodic revaluation of residual values, the assessment of the adequacy of MORL's insurance reserves and other accounting estimates such as maintenance accruals and end-of-contract payments
- Receive periodic reports from MORL's Audit & Risk, Underwriting and Investment Committees to ensure risk management in the subsidiary is managed in a manner consistent with Group policies
- Consider any substantive control issues arising, including major control failures or incidents
- Oversee internal and statutory financial reporting, and recommend to the Board adoption of the half-year and full-year accounts

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

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

Significant financial reporting/judgements and changes in relation to the Group's financial statements considered by the Committee are on page 71.

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

Key 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 estimation of residual values is identified as a key business risk and was subject to regular scrutiny and review by the Audit Committee during the year • The Audit Committee reviewed management's accounting estimates of residual values as part of the financial reporting cycle to understand and evaluate assumptions and estimates • The Audit Committee was satisfied that residual value estimates were appropriate and processes well controlled
Insurance reserves	
• 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 Group's assessment of insurance reserves was initially reviewed by the MORL Underwriting Committee and MORL Board to consider the appropriateness of the methodology and assumptions applied • The Audit Committee reviewed insurance reserve updates from management and the MORL Audit Committee chair, this satisfying the Committee that estimates were appropriate.
Other accounting estimates	
• Other areas of accounting estimates include maintenance accrual and end-of-contract payments. Changes in estimates of future expenditure or payout rates may affect the reported financial result	• The Committee assessed accounting estimates as part of the review process for the financial statements • The Committee discussed the work and findings of Internal Audit and the external auditor, together with information received from the Company, to assess the appropriateness and robustness of estimates • On this basis, the Audit Committee was satisfied that accounting estimates were appropriate and processes well controlled

Ruth Prior
Audit Committee Chair

Motability Operations

Nomination Committee

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We continually review the composition of the Board and this year we undertook a skills audit of our Board. This helped us understand both where we have depth and strengths but also where we'll need to focus our search on skills, knowledge and experience in the future.

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

Committee at a glance

Membership

- Sir Stephen O'Brien (Chair)
- Neill Thomas
- Chris Davies
- Ruth Prior

The Chief Executive and Chief of People 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
- Propose the positioning of Executives within remuneration ranges for their roles, for the Remuneration Committee to review
- Develop and review succession and retention plans for Executives and other senior managers, taking into account the challenges and opportunities facing the Company and the skills and expertise which are needed in the future
- Review proposals for any new Executive and Independent Non-Executive Director appointments
- Identify and nominate candidates to fill Executive and Independent Non-Executive Directors' roles (including the role of Senior Independent Director), including the re-appointment of Independent Non-Executive Directors at the end of their term. In identifying suitable candidates, the Committee will use open advertising or the services of external advisers to facilitate the search. The Committee will consider candidates from a wide range of backgrounds and make decisions 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.

2024 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 2025
- To propose a third, three-year term, for four Non-Executive Directors
- The extension to the term of Independent Non-Executive (MORL) Paul Helps to January 2026
- The Committee supported the appointment of two new Independent Non-Executives (MORL)
- Succession plans for Executives were reviewed and the Committee was satisfied that these were appropriate and continue to meet business needs
- Agreed the position of the Executive Directors within the remuneration ranges for their roles
- An evaluation of the performance of the Nomination Committee
- An audit of skills, knowledge and experience of the Board
- A review of diversity data for the Board
- A review of the terms of reference of the Committee

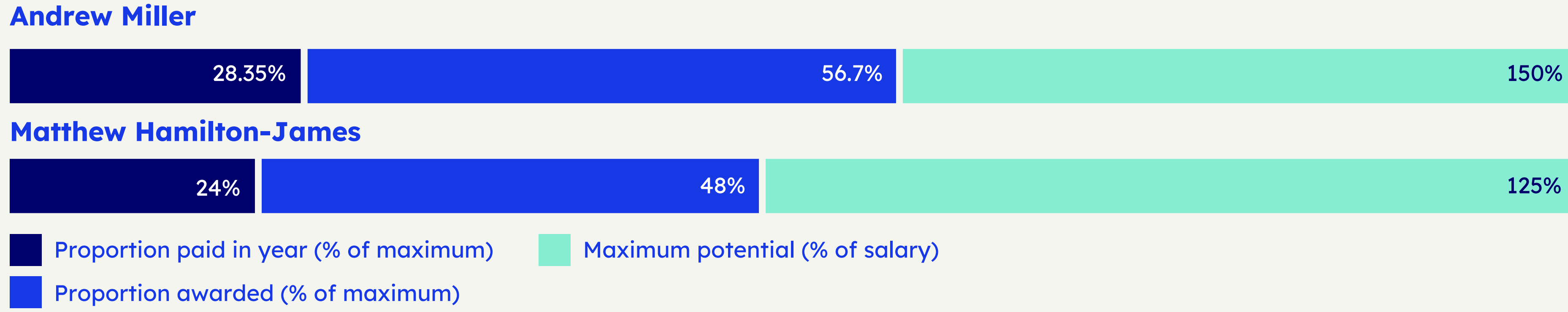
Stephen O'Brien

Rt. Hon. Sir Stephen O'Brien KBE
Chairman

Remuneration at a glance

Our people have continued to demonstrate passion and commitment to our common purpose.

2024 annual bonus outcomes for CEO and CFO



50% of any bonus awarded is deferred for at least three years and payment is subject to criteria that ensure a longer-term focus on sustainability of the business

93.1%
customer renewal rate at end of lease

3 of the 4
categories have closed the pay gaps

***9.5 out of 10**
for overall customer satisfaction with the Motability Scheme

87%
employee engagement score in 2024

5%
salary increase for all employees in January 2024

* Technical note: Ipsos interviewed 6080 Motability Scheme Car customers online between 1 October 2024 to 20 October 2024. Data has been weighted to the profile of Motability Scheme Car Fleet customers.

Letter from the Committee Chair

Against a backdrop of significant change and uncertainty in the car industry, the business has continued to operate in a strong and sustainable way, ensuring customers stay at the heart of everything we do.

Chris Davies
Chair of the Remuneration Committee

Committee at a glance

Membership

- Chris Davies (Chair from 1 March)
- Neil Thomas (Chair and member until 1 March)
- Sir Stephen O'Brien
- Daniel Meredith Jones
- Ruth Prior
- Simon Minty
- Peter Pritchard
- Alison Hastings

Remuneration philosophy

Our approach incentivises performance as well as values and behaviours, ensuring we maintain a strong customer ethos at the core of our business culture.

Roles and responsibilities

- Define the Remuneration Policy to ensure we attract and retain the skills and experience required to run the Company
- Approve remuneration for the Executive Committee and Non-Executive Chair
- Review Executive performance criteria and incentives to ensure they drive the right behaviour and that risk is considered as part of these. The Chair of the Risk Committee is a member of the Remuneration Committee
- Approve annual remuneration increases and have oversight of benefits and remuneration-related frameworks for the wider workforce
- Review pay gaps across the Executive and wider workforce

2024 highlights

The Committee met three times during the year to:

- Set and review performance against Executive performance bonus objectives, including criteria for deferred bonus payments due to be released
- Review and approve remuneration for Executives, with reference to market data
- Review plans to progress diversity pay gaps
- Review Remuneration Policy and Committee terms of reference to ensure both remain fit for purpose
- Review of the Chair's fees
- Re-appoint external remuneration advisers

2025 priorities

- Review the overall pay framework to ensure that the challenges faced in the transition to electric vehicles (EVs) are appropriately taken into account and that the positioning of remuneration packages is appropriate in this context
- Review performance metrics including a set of longer-term measures to ensure a central focus on supporting customers through the transformation strategy to EVs
- Embed a new career framework for the wider workforce to focus on access to career opportunities and future skills and ensure reward incentives are competitive and relevant for role
- Biennial review of Committee performance

Chris Davies
Chair of the Remuneration Committee

I'm pleased to share the Directors' Remuneration report for the year ending September 2024. This outlines how the Executive Remuneration Policy has been implemented during 2024 and looks ahead to how we'll use remuneration to drive sustainable transformation for our customers in 2025.

Business context for 2024

2024 has been a year of navigating significant change and uncertainty in the car industry as manufacturers shift position to focus on the move towards electric, and in particular as the Zero Emission Vehicle (ZEV) mandate draws nearer. The EV market continues to grow, but with this comes higher purchase prices and maintenance costs, as well as challenges around availability, accessibility and affordability of vehicle charging infrastructure.

In parallel with this, significant customer growth and the anticipated drop in used car values after the highs of previous years have required prudent financial strategies to protect customers from market volatility. Throughout the year we committed to invest £300m in financial support in the form of New Vehicle Payments, investment in the EV proposition and wider affordability support.

Whilst a pre-tax accounting loss of £564.6m was reported, driven by an accounting adjustment reflecting a more negative outlook of values across the fleet, our business model means we have sound underlying economics and the headroom to withstand the current market volatility, and we remain confident about the long-term sustainability of the Motability Scheme.

Despite this backdrop of change and uncertainty, we have maintained a customer satisfaction score of 9.5 out of 10*, highlighting our continued commitment to ensuring our customers stay at the heart of everything we do.

Our employees

A changing industry not only means change for our customers, but also for our employees as we re-align our operating model behind our strategy and change the way we work together across the organisation.

During this sustained period of uncertainty and high inflation, our people have continued to demonstrate passion and commitment to our common purpose and in 2024 our employee engagement score was 87%. While this was lower than in previous years, reflecting the changes we are making to deliver the strategy such as the return to working in the office three days a week, we're pleased the score remains above the Willis Towers Watson High-Performing Organisation benchmark.

In 2024, we invested in our employee experience with new internal communications channels to ensure our people feel engaged and involved in our strategy, a wide range of wellbeing initiatives and a private healthcare offering that provides market-leading support for employees with more diverse needs.

In the year ahead, we'll broaden our current offering on financial wellbeing and step up our focus on talent and development to ensure our employees have greater access to learn new skills and explore new career opportunities. The Remuneration Committee continues to provide oversight on our reward practices, ensuring remuneration for our wider workforce remains competitive.

We'll continue our policy to pay our people at least the level of the current Living Wage.

Linking reward to performance

The annual bonus framework for Executives ensures the Motability Scheme strikes the right balance between operational success and long-term strategic goals. For 2024, objectives were revised to emphasise the increasing focus on the transition to EVs, reflecting our ambition to transition customers into EVs in an inclusive and sustainable way that continues to offer choice and value.

Key elements of the bonus framework include:

- Criteria for minimum threshold performance to be achieved before any payout (the Committee retains discretion to override these thresholds in exceptional circumstances)
- Shared objectives relating to stretching corporate targets linked to the strategic goals of the business, as well as objectives that reflect an individual's assigned goals. These include longer-term measures we update each year and are aligned to the Company's Environmental, Social and Governance (ESG) strategy
- 50% of any bonus awarded is deferred for a period of three years and payment is subject to a set of performance criteria that ensures a longer-term focus on sustainability of the business

The maximum potential annual performance incentive for the CEO and CFO is set at 150% and 125% of salary respectively. These maximum levels provide the Committee discretion to reward for exceptional circumstances or performance but ensure there's an absolute limit on individual payments that can be made. Further details of the framework are set out in the Remuneration report below.

2024 annual bonus outturns

For 2024, 50% of salary was for performance versus stretching corporate objectives set by the Committee, and 50% of salary based on performance versus individual objectives, focused on specific, measurable, in-year deliverables. An additional 50% of salary for the CEO (25% for the CFO) was available for exceptional circumstances which was not utilised for the year.

1. Technical note: Ipsos interviewed 6080 Motability Scheme Car customers online between 1 October 2024 to 20 October 2024. Data has been weighted to the profile of Motability Scheme Car Fleet customers.

The Committee considered the formulaic outturns taking into account achievement against both the corporate and individual objectives. To ensure outcomes were aligned with performance, the Committee then undertook a holistic assessment of overall Company and individual performance in the year. Balancing both of these assessments, the Committee used its discretion and determined that overall outcomes of 56.7% of maximum for Andrew Miller and 48.0% of maximum for Matthew Hamilton-James (out of a maximum award of 150% and 125% of salary respectively) were appropriate.

As part of the broad assessment of overall business and individual performance, the Committee considered the Group's financial performance during the year, including the statutory pre-tax loss. The Committee was conscious that the statutory pre-tax loss was predominantly driven by accounting revaluations to reflect external factors (predominantly the performance of the used car market) that are outside of management's control and which resulted in significant pre-tax profits for the Group in recent years. The underlying economic performance of the business is robust and much smoother. The Committee also reviewed performance against the budget for the year, including costs, and took into account the strength of the capital levels across the Group. The Committee felt confident that the business remains in a strong, sustainable position and therefore considered that the bonus outcomes set out above are appropriate. The Committee also reflected on performance against the employee engagement score metric. Whilst behind the target range, the Committee noted that the scores continue to be well ahead of the Willis Towers Watson High performing norm. Factoring in the outperformance of the benchmark, the Committee debated exercising it's discretion, however, on balance the Committee felt the cumulative out turn against corporate objectives was a fair reflection of overall performance.

50% of the bonus for both Andrew and Matthew was paid in cash, with the balance deferred for three years, subject to further performance criteria.

Release of deferred bonus awards

As discussed above, to support a culture of long-term decision-making, 50% of bonus awards are deferred for a period of three years, subject to underpinned performance criteria.

Based on performance in the three-year period ended 30 September 2024, the Committee determined the underpinned conditions attached to deferred bonus awards made in respect of FY2021 were achieved and as such the awards were released to the Executive Directors.

2024 overview

Executive Director remuneration

Salary

Both the CEO and CFO were awarded salary increases of 5% (effective 1 January 2024) in line with that awarded to the wider workforce.

Benefits and pension

Market standard benefits package. Pension contributions set at 15% of base salary.

Annual bonus

Assessment of performance versus the corporate and personal objectives resulted in 2024 bonus outcomes of:

- 56.7% of the maximum potential award for Andrew Miller
- 48.0% of the maximum potential award for Matthew Hamilton-James

50% of any bonus is deferred for three years and subject to additional performance criteria.

Vesting of deferred award (FY2021)

Based on performance in the three-year period ended 30 September 2024, the Committee determined the performance conditions attached to deferred bonus awards made in respect of FY2021 were achieved and as such the awards will be released to the Executive Directors.

Wider workforce

We reviewed the pay of our wider workforce, taking into account the impact of inflation and the cost of living, delivering a 5% increase to all employees in January. A new, comprehensive performance framework completed its first year, establishing clear expectations to drive high performance. It's designed to ensure fair outcomes while rewarding 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 initiatives.

The 2024 Pay Gap Report was published in July

It was pleasing to see pay gaps close in three of the four categories. Most notably in Disability where the mean gap closed by 10.9% to 11.8%, reflecting changes predominantly in the Senior Leadership Team, and a reduction of 2.5% in the mean gender pay gap to 22.4%. The decrease was due to the TUPE transfer in of lower paid male employees and new female recruits within senior leadership roles in Technology and Marketing.

You can find more details in our Pay Gap Report

Looking forward

During the year the Committee will keep the overall pay framework under review to ensure that it continues to align to the Group's forward-looking strategy. Over the last year it has become apparent that the challenges faced by the business to effectively and sustainably transition to EV are greater than previously anticipated and the Committee may consider further linking reward to successful delivery of this transition. We'll also ensure that the positioning of the overall remuneration package is appropriate given the additional demands placed on management during the transition.

Any decisions made by the Committee will be disclosed in the 2025 Directors' Remuneration report.

Chris Davies
Chair of the Remuneration Committee

Remuneration Committee Q&A with Chris Davies

Q: How do we reflect the needs of the customer in Executive pay?

A: The shared corporate objectives assigned to all Executives include a blend of targets consisting of those related to electric vehicle (EV) volumes, balanced with customer satisfaction results and affordability (which is included as a threshold measure). In 2024, new metrics relating to feedback from EV-only customers ensured that the customer experience remains a key focus area during the transition to EV. This overall blend of targets will continue in 2025 objectives, with an affordability metric included as a primary measure of performance (rather than a threshold measure) in order to further increase focus here.

Q: How do you protect the culture of the organisation as you move through uncertainty and change?

A: We continue to set high standards for employee engagement as we recognise our people are core to the success of our organisation. However, we know change can be unsettling and so we've put in place measures to ensure our employees feel engaged with our strategy through comprehensive internal communications, and celebrating key milestones such as reaching 800,000 customers. This year our senior leaders have all undertaken comprehensive change leadership training and we've continued to invest in wellbeing support for all employees.

All Executives and senior leaders have an employee engagement measure in their annual bonus objectives.

> "We recognise our people are core to the success of our organisation and are committed to offering a competitive rewards package to reflect this."

Q: How do we ensure a focus on the long-term future of the business?

A: The Executive corporate objectives include clear measures relating to longer-term financial sustainability. Once awarded, we defer half of all Executive performance bonuses for three years when payment is subject to a review against a set of performance criteria.

Strong performance in other metrics (customer satisfaction, transition to EV and employee engagement) is also critical to the long-term success of the business.

All Executive performance payments are subject to malus and clawback terms.

Q: What is the approach to wider employee reward?

A: Salaries for the wider employee group are set at a competitive level and always above statutory minimums. Salary levels are reviewed annually.

We offer a comprehensive range of flexible employee benefits, offering employees choice according to their own lifestyle. In recent years we've aligned these so most Executive and wider workforce benefits are the same, including life assurance, private healthcare and holiday. Voluntary employee-paid benefits reflect our ESG strategy and include an electric-car lease scheme, a range of health and wellbeing options and tax-free charitable contributions. We review the employee benefit offering regularly to ensure it remains market competitive and reflects the needs of a changing workforce.

Pension contributions are set at 15% of salary for all employees. This is an extremely competitive offering and demonstrates our commitment to allow employees to save for their retirement.

All employees are eligible for an annual bonus based on appropriate criteria.

Executive Directors' remuneration

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

Base salary	Benefits	Pension contribution	Annual performance incentive paid	Vesting of deferred bonus
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 and market comparatives. We make appropriate changes, taking these factors into account and giving consideration to increases awarded to the wider workforce. Andrew Miller: £460k (FY2023: £439k) Matthew Hamilton-James: £374k (FY2023: £358k)	A standard range of benefits provided: Company car, life assurance, medical insurance and travel insurance (or cash allowance in lieu).	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. • Andrew Miller: £69k (FY2023: £66k) 15% of salary • Matthew Hamilton-James: £56k (FY2023: £54K) 15% of salary	The maximum potential bonus is 150% and 125% of salary respectively for the CEO and CFO. The bonus is substantially based on key performance measures and individual objectives set at the start of the financial year with additional consideration given to reflect exceptional step-change events or performance within the year. • Andrew Miller: £198k, representing the cash component (50%) of the bonus award in respect of FY2024, which paid out at 57% of maximum (FY2023: £184k) • Matthew Hamilton-James: £114k, representing the cash component (50%) of the bonus award in respect of FY2024, which paid out at 48% of maximum (FY2023: £138k)	Payment in the year relates to the release of deferred bonus awards earned in FY2021. The Committee determined that the performance criteria attached to the awards were met in full and therefore the award was released. • Andrew Miller: not applicable (FY2023: not applicable) • Matthew Hamilton-James: £130k (FY2023: £142k)

2024 annual bonus

Annual bonus payments are linked to clear and sustainable measures of business and individual performance, with levels of stretch incorporated to encourage and reward outstanding performance. The payment of any annual bonus is subject to the business meeting a minimum level of threshold performance. Providing these are met, annual bonus opportunity is 50% based on each of the shared corporate and individual objectives. Details are set out below.

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's considered that external circumstances, outside of management's control, have compromised delivery. The threshold targets focus on delivery against the following customer-focused performance measures (and include measures which are consistent with threshold performance under the contractual KPI framework with the Motability Foundation):

Measure	Threshold performance	Actual performance	Minimum threshold passed?
Customer satisfaction	≥88%	96%	✓
Proportion of car derivatives on the price list at 'nil Advance Payment'	≥10%	12.1%	✓
Customer renewal rate at end of lease	≥75%	93.1%	✓

As set out in the table above, the threshold performance targets in 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 corporate performance objectives, designed to target the delivery of strong and consistent day-to-day performance while also ensuring appropriate focus on innovation, strategic planning and sustainability. The 2024 annual bonus was based on the following metrics:

Focus area	Measure	Opportunity	0% payout	50% payout	100% payout	Actual performance	% payout
Customer service	Customer satisfaction score	15%	88%	92%	96%	96%	15%
Transition (customer)	Customer satisfaction for EV only	5%	84%	88%	92%	95%	5%
Transition (product)	EV registrations share gap relative to wider market EV registrations share	10%	10%	6%	2%	6%	5%
People and business culture	Employee engagement score	10%	90%	92%	94%	87%	0%
Financial sustainability*	Capital levels	10%	Capital < MCR	Capital > MCR, but below buffer	>Minimum Capital Requirement (MCR) plus buffers, credit rating maintained	>Minimum Capital Requirement (MCR) plus buffers, credit rating maintained	10%

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

Individual performance objectives

50% of base salary was also available based on the delivery of a number of individual objectives for each Executive Director, focusing on specific, in-year deliverables. The Committee reviewed the performance of the CEO and CFO against the agreed range of individual performance objectives.

Overall outturns for FY2024

The Committee considered the formulaic outturns taking into account achievement against both the corporate and individual objectives. To ensure outcomes aligned with performance, the Committee then undertook a holistic assessment of overall Company and individual performance in the year.

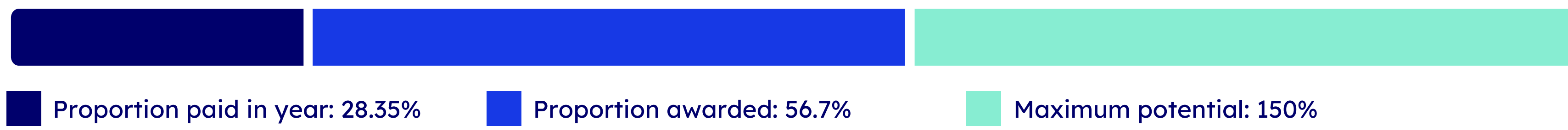
Considering all factors in the round, including the Group's financial performance during the year, the Committee used its discretion and determined that overall outcomes of 56.7% of maximum for Andrew and 48.0% of maximum for Matthew (out of a maximum award of 150% and 125% of salary respectively) were appropriate.

50% of the bonus for both Andrew and Matthew was paid in cash, with the balance deferred for three years, subject to further underpin criteria.

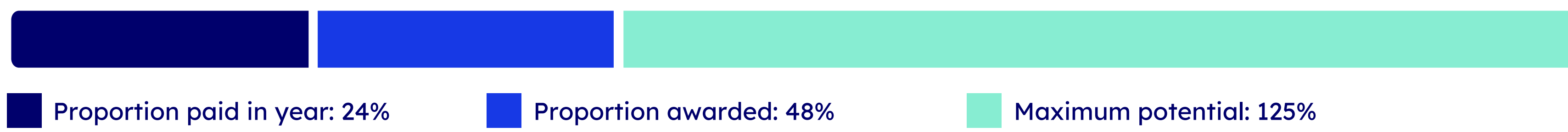
Release of deferred bonus awards in respect of FY2021

Based on performance in the three-year period ended 30 September 2024, the Committee determined the underpinned conditions attached to deferred bonus awards made in respect of FY2021 were achieved and as such the awards were released to the Executive Directors.

Andrew Miller



Matthew Hamilton-James



FY2024 outcomes

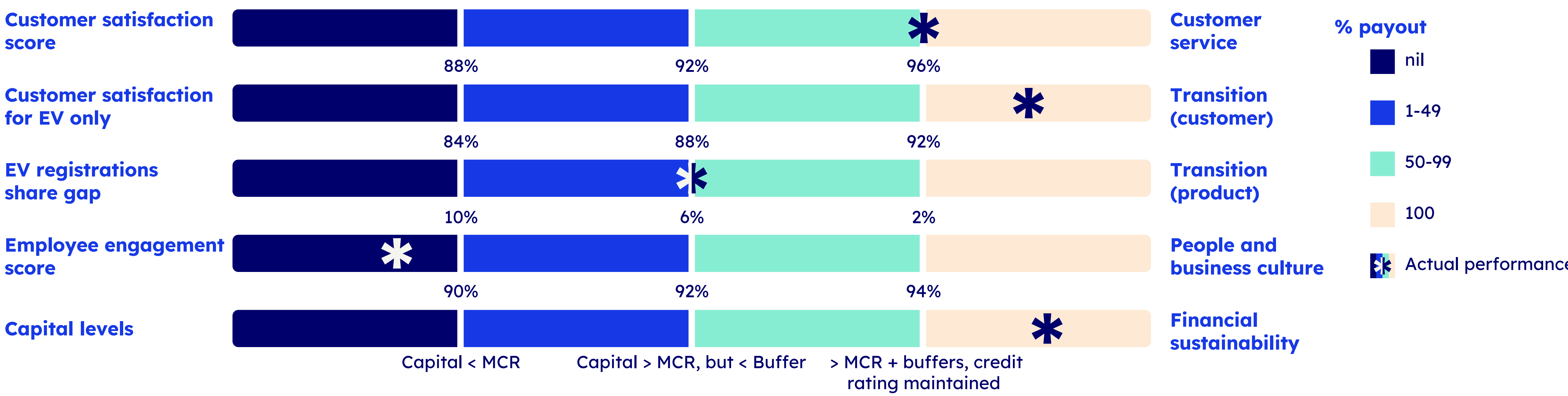
The table below sets out the remuneration outcomes for the Executive Directors for FY2024.

£k'	Salary		Benefits[1]		Pension[2]		Annual bonus[3]		Vesting of deferred bonuses[4]		Total	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Andrew Miller	460	439	21	21	69	66	198	184	-	–	748	710
Matthew Hamilton-James	374	358	17	17	56	54	114	138	130	142	691	709

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 pensions where the Director has opted to take taxable income instead of pension contribution entitlements.
3. Annual bonus reflects the proportion of the annual award (50%) that is payable for the current year. The remaining 50% is deferred for a period of three years.
4. This reflects the vesting of deferred bonuses awarded in December 2020 and released in December 2023 (prior year, reflects vesting of deferred bonuses awarded in December 2019 and released in December 2022).

Performance against corporate objective targets

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



Customer service: 15% award

Customer service is measured through an independent review by Ipsos MORI which is commissioned jointly by Motability Operations and the Motability Foundation. The survey measures feedback across a comprehensive range of customer touchpoints. Overall customer satisfaction remains extremely high at 96%. This reflects our continued focused efforts on delivery of outstanding customer service across the organisation, and developments in the year including new features to customer accounts enabling them to self-serve.

Transition (customer): 5% award

This metric uses the same methodology as the core customer services metric, but measures satisfaction levels amongst only EV customers. During the year, a new team was created dedicated to customers who need support with their EV products, and marketing and communication support for customers has continued to evolve with improved online support and suitability assessment tools. We also launched the Go Charge app which makes charging away from home simpler for our customers. This is demonstrated in our excellent overall customer satisfaction for EV customers of 95%.

Transition (product): 5% award

This measure reviews our EV share of total MO 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 led by larger, more expensive electric vehicles registered in the company car sector, therefore targets must be calibrated appropriately. The outturn of 6% this year has been impacted by manufacturer (OEM) behaviour in relation to the Zero Emission Vehicle (ZEV) mandate. Whilst MO continues to have a strong pipeline of EV applications from our customers, OEMs are continuing to focus on improving EV sales across all channels in order to avoid significant fines.

Employee engagement: 0% award

Employee engagement is measured via an independent employee survey conducted by Willis Towers Watson with results benchmarked against a pool of UK high performing companies. The FY2024 score was below the minimum target level and therefore there was no payout under this element. Given the 87% outcome is well above the survey's 'High-Performing Organisation' benchmark, the Committee considered applying discretion for payment, but ultimately considered the overall outcome appropriate so did not apply such discretion. Whilst disappointing, this demonstrates our commitment to continue to drive high-levels of employee engagement.

Financial sustainability: 10% award

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

Performance against individual objectives

Having reviewed the performance of the CEO and CFO against the agreed range of individual targets, the Remuneration Committee agreed performance awards of 50% for Andrew Miller and 25% for Matthew Hamilton-James, out of a potential 50% award.

Future incentives: summary of amounts awarded 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 2021	2021-2024	Dec 2024	108	108
	Oct 2022	2022-2025	Dec 2025	170	170
	Oct 2023	2023-2026	Dec 2026	184	184
	Oct 2024	2024-2027	Dec 2027	198	198
Matthew Hamilton-James	Oct 2021	2021-2024	Dec 2024	146	146
	Oct 2022	2022-2025	Dec 2025	133	133
	Oct 2023	2023-2026	Dec 2026	138	138
	Oct 2024	2024-2027	Dec 2027	114	114

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

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

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 overall changes implemented for employees.

Total remuneration

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

£k	Salary/fee		Expenses reimbursed in performance of duties		Total	
	2024	2023	2024	2023	2024	2023
Independent Non-Executive Directors						
Sir Stephen O'Brien (chairman)	168	161	6	8	174	169
Neill Thomas	74	79		1	74	80
Ruth Prior	72	69			72	69
Chris Davies	66	54			66	54
Peter Pritchard	56	54			56	54
Ruth Owen	55	53			55	53
Alison Hastings	56	53	2	2	58	55
Simon Minty	56	54			56	54

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 MO 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 a new Executive Director (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 March 2024 Neill Thomas stepped down as Chair and as a member of the Committee and was replaced by Chris Davies (who was already a member of the Committee). The other Committee members were Daniel Meredith Jones, Sir Stephen O'Brien, Ruth Prior, Simon Minty, Chris Davies, 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 which 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 2022 with positive feedback being received from the Committee members concluding that the Committee was effective and had discharged all its duties and responsibilities. A further review will be undertaken in October 2024.

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 this year. As a result, Deloitte were reappointed as advisers in February.

Chris Davies
Remuneration Committee Chair

Other statutory information

Non-financial and sustainability information

We aim to comply with the new Non-Financial and Sustainability Reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006. We believe disclosure of non-financial information is fundamental to understand how we evaluate the impact of different social, environmental and ethical issues. And how we deliver 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 continues to remain an integral part of our business and long-term strategic aspirations. We take a proactive approach to emissions and seek to provide our customers with relevant information to support their decision when they're selecting a vehicle appropriate to their needs. You can see more detail on page 29. We also seek to minimise the footprint of our work environment (see page 35 for details of initiatives and SECR).

We actively embrace our environmental, social and governance obligations and recognise the calibre and commitment of our people is key to our success. This requires a working environment that promotes collaboration and supports diversity, inclusivity, personal development and respect. Our approach and key initiatives are described in further detail in our Impact Report.

Human rights

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

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

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

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

Customer service and complaints handling

We're committed to delivering excellent customer service.

In 2024, the UK Institute of Customer Service (UK ICS) rated Motability Operations as the highest-performing organisation in the UK with regard to customer service, achieving 95%.

Our latest Customer Satisfaction Index (CSI) survey shows customers rate Motability Operations 9.6 out of 10 for overall satisfaction with Customer Services.

Our customer services teams are UK based and can be reached via a low-cost 0330 number. The vast majority of calls/enquiries are resolved at the first point of contact.

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

Customer service data

During the year ending 30 September 2024, our customer services team handled 1,680,000 customer contacts.

Motability Operations has a customer base of circa 815,000.

Our approach to complaints

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

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

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

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

Period covered	Volume of complaints
1 October 2023 to 30 September 2024	1,510

The lessons learnt from complaints are invaluable to us. 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 we bring about service and/or process improvements (if necessary) as a result of dealing with complaints. These include, but are not limited to:

- Ensure we have both a proactive and reactive approach to service improvement activity
- Ensure we can and do make process changes following individual complaints
- Use our root cause analysis programme to review high-volume complaint areas and look to reduce/prevent/educate customers where we can
- Encourage 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 2024 we contacted a representative sample of customers who had complained to us between December 2023 and February 2024. They rated us with an overall score of 9.1 out of 10 for our complaint handling.

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

Our SECR reporting covers energy use and associated greenhouse gas emissions relating to gas and electricity, intensity ratios and information relating to energy efficiency actions, details of which can be found in the ESG section of the report at page 35.

Directors' report

The Directors present their Annual Report and Accounts for the year ending 30 September 2024. The report must be read in conjunction with the Strategic report from page 3, the Chairman's statement on page 5 and the Chief Executive statement on pages 9 to 11.

For the year ended 30 September 2024, under The Companies (Miscellaneous Reporting) Regulations 2018, the Company has applied the Wates Corporate Governance Principles for Large Private Companies (published by the Financial Reporting Council (FRC) in December 2018 and available on the FRC website at 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 media to engage with and inform our employees and seek out and listen to employees' views and opinions. Our Company roadshows, which are open to all employees, is the mechanism through which the Chief Executive informs and updates employees on our performance, plans and future outlook. Employees have an opportunity to ask questions or seek clarification on our purpose, goals and direction. There were a series of roadshows in spring 2024 held at our offices across the UK.

Our employee forum is where elected employee representatives and senior management meet regularly to ensure two-way sharing of ideas and questions. The Board has appointed Simon Minty as Designated Non-Executive Director to engage with employees and feed back to the Board.

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

Improving skills of employees through training and development opportunities remains a firm commitment of the Company. An example of how we're supporting our employees' personal and career development – such as the new career framework – is set out at page 33 in the Our People section.

Equal opportunities

We are an active equal opportunities employer and promote an environment free from discrimination, harassment or victimisation. We want everyone to receive equal treatment 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 sustaining a fair and inclusive 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. We are committed to creating a supportive, inclusive environment for all our people. EDI is at the heart of what we do and we believe fostering a diverse workforce will help to keep our customers moving. We've continued to develop our EDI roadmap which is built on four key cornerstones:

- Diverse workforce
- Inclusive culture
- Leadership commitment
- Data capability.

We also have an EDI Committee that meets bi-monthly to discuss progress. The Committee is made up of Network Leads, Executive Sponsors and Business Leads.

More detail of how we support our diverse workforce can be found in our Impact Report

Supplier engagement

We work closely with our service providers to ensure they maintain our required standards, and routinely carry out supplier reviews to monitor performance against key performance indicators, ensuring 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, Chris Davies, Dan Fairclough, Matthew Hamilton-James, Alison Hastings, Michael Hordley, Daniel Meredith Jones, Andrew Miller, Simon Minty, Ruth Owen, Ruth Prior, Peter Pritchard, Neill Thomas and Rob Whittick served as Directors throughout the year. Rob Whittick served as a Director until 30 June 2024 and James Holian as a Director from 1 July 2024. Simon Amess, Peter Lord, David Mudie and Jayne Seaford served as alternate Directors throughout the year.

Directors' interests

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

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 2024 Annual Report and Accounts includes a viability statement. You can find this on page 53 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.

Motability Operations

Directors’ responsibilities statement

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Our impact in 2024
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The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements, in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law, they’re required to prepare the Group financial statements in accordance with International Financial Reporting Standards adopted by the European Union (IFRSs as adopted by the EU) and applicable law, and they have elected to prepare the parent Company financial statements on the same basis.

Under company law, the Directors must not approve the financial statements unless they’re satisfied they give a true and fair view of the state of affairs of the Group and parent Company, and of their profit or loss for that period.

In preparing the financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- State whether they’ve been prepared in accordance with IFRSs as adopted by the EU
- Make judgements and estimates that are reasonable, relevant and reliable
- Assess the Group and parent Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern
- Prepare the financial statements on the going concern basis unless they either intend to liquidate the Group or 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 Group and Company transactions. These need to disclose, with reasonable accuracy at any time, the financial position of the parent Company, and enable them to ensure its financial statements comply with the Companies Act 2006.

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

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

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

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

We confirm to the best of our knowledge that:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the undertakings included in the consolidation taken as a whole
- 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

Jo Pentland
Group Company Secretary

18 December 2024

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 2024 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 2024 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 6 financial years ended 30 September 2024. 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:		£37.0m (2023: £36.0m)
group financial statements as a whole		0.5% (2023: 0.6%) of total revenue
Coverage		100% (2023:100%) of group profit before tax
Key audit matters		**vs 2023**
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	<>

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 2023), 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 71 (Audit Committee report), page 100 (accounting policy) and page 110 (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 (2023 result: acceptable).

	The risk	Our response
Valuation of the provision for incurred but not reported insurance claims *Refer to page 71 (Audit Committee report), page 103 (accounting policy) and page 114 (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 judgemental as it requires a number of assumptions to be made that have high estimation uncertainty and can have material impacts on the valuation. Further, valuation of these liabilities involves selection of appropriate methods and involves complex calculations. 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.	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 (2023 result: acceptable).
Recoverability of parent Company's loan to subsidiary *Refer to page 100 (accounting policy) and page 112 (financial disclosures)*	**Low risk, high value** The carrying amount of the parent Company's loan to subsidiary represents 89.0% (2023: 95.9%) 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 (2023 result: acceptable).

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

Materiality for the Group financial statements as a whole was set at £37.0m (2023: £36.0m), determined with reference to a benchmark of Group total revenue, of which it represents 0.5% (2023: 0.6% of Group total revenue). We consider total revenue to be the most appropriate benchmark as it provides a more stable measure year on year than group profit before tax.

Materiality for the parent Company financial statements as a whole was set at £24.0m (2023: £23.0m), determined with reference to a benchmark of Company total assets, of which it represents 0.19% (2023: 0.31%).

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% (2023: 75% of materiality for the financial statements as a whole, which equates to £27.7m (2023: £27.0m) for the Group and £18.0m (2023: £17.2m) for the parent Company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £1.8m (2023: £1.8m) for the Group and £1.2m (2023: £1.2m) for the Company, in addition to other identified misstatements that warranted reporting on qualitative grounds.

We subjected all three (2023: three) of the Group's reporting components to full scope audits for group purposes. The components within the scope of our work accounted for 100% of Group revenue, profit before tax and total assets.

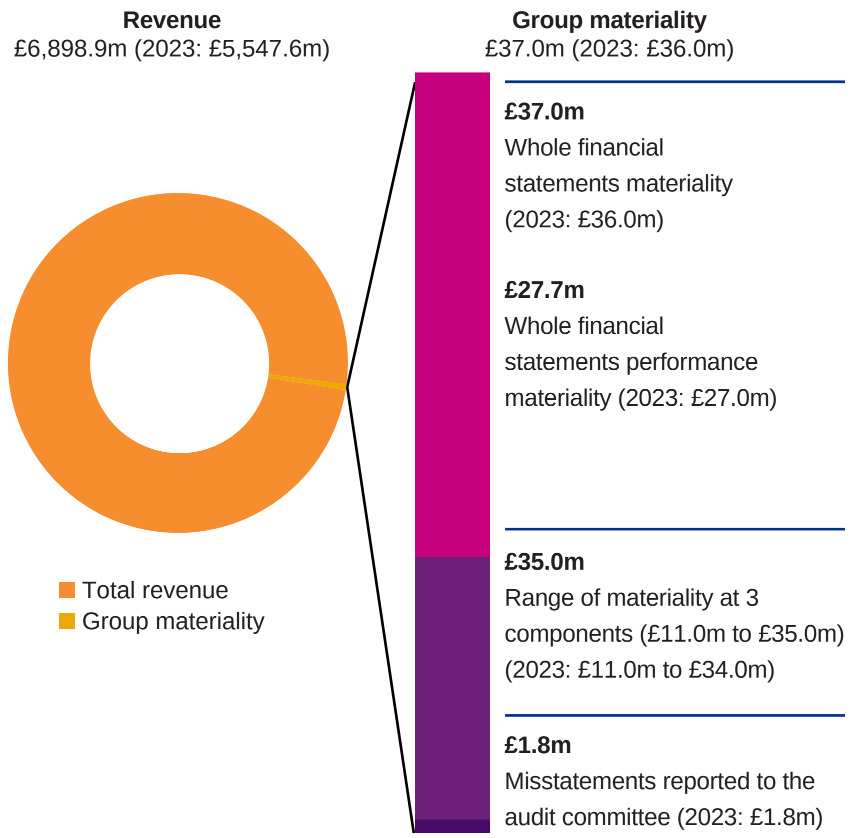
The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the following component materialities, having regard to the mix and size of risk profile of the Group across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

- Motability Operations Group plc: £24.0m (2023: £23.0m)
- MO Reinsurance Limited: £11.0m (2023: £11.0m)
- Motability Operations Limited: £35.0m (2023: £34.0m)

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

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

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



4. Going concern

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

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

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

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

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

Our conclusions based on this work:

- we consider that the directors' use of the going concern
- basis of accounting in the preparation of the financial statements
- is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in note 2 to be acceptable.

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

5. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

- Enquiring of Directors, the Audit Committee, internal audit and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Reading Board, Audit Committee, and Financial Risk Management Committee meeting minutes;
- Considering remuneration incentive schemes and performance targets for management and Directors; 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, journal entries posted to seldom used accounts and journal entries posted by those who seldom post; 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

Directors' responsibilities

As explained more fully in their statement set out on page 87, 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

18 December 2024

Financial statements

Income statement

For the year ended 30 September

	Note	2024 Group £m	2023 Group £m
Revenue	4	**6,898.9**	**5,547.6**
Net operating costs excluding charitable donations		(7,101.6)	(4,352.5)
Charitable donations		(0.2)	(250.0)
Net operating costs	6	**(7,101.8)**	**(4,602.5)**
(Loss)/profit from operations		(202.9)	945.1
Finance costs	9	(361.7)	(197.1)
(Loss)/profit before tax		(564.6)	748.0
Taxation			
Taxation excluding the impact of changes in the UK corporation tax rate	10	148.3	(100.2)
Remeasurement of deferred tax due to changes in the UK corporation tax rate	10	–	(43.2)
(Loss)/profit for the financial year		**(416.3)**	**604.6**

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

	Note	2024 Group £m	2023 Group £m
(Loss)/profit for the financial year		**(416.3)**	**604.6**
Other comprehensive income – items that may be reclassified subsequently to profit or loss			
Losses on movements in fair value of cash flow hedging derivatives	25	(140.4)	(155.9)
Gains on cash flow hedges reclassified to the income statement	25	141.1	106.0
Tax relating to components of other comprehensive income		(0.3)	10.6
Other comprehensive income/(loss) for the year, net of tax		0.4	(39.3)
Total comprehensive (loss)/income for the year		**(415.9)**	**565.3**

Balance sheets

As at 30 September

	Note	2024 Group £m	2023 Group £m	2024 Company £m	2023 Company £m
Assets					
Non-current assets					
Intangible assets	11	30.7	49.9	–	–
Property, plant and equipment	12	85.8	54.8	–	–
Assets held for use in operating leases	13	14,295.3	11,721.4	–	–
Financial assets at amortised cost	15	136.9	220.8	–	–
Investment in subsidiaries	16	–	–	110.9	110.9
Loans to Group companies	16	–	–	11,008.5	7,008.9
Trade and other receivables	19	187.9	147.4	3.7	3.9
Derivative financial instruments	26	–	5.2	–	5.2
Deferred tax assets	27	–	–	–	–
		14,736.6	**12,199.5**	**11,123.1**	**7,128.9**
Current assets					
Corporation tax receivable		95.7	73.9	–	–
Inventories	14	226.5	237.9	–	–
Financial assets at amortised cost	15	93.0	98.2	–	–
Cash and bank balances	17	1,319.6	186.8	1,236.5	101.0
Insurance receivables	18	128.1	98.9	–	–
Trade and other receivables	19	733.9	472.7	11.2	78.0
Reinsurers' share of insurance provisions	24	531.1	524.1	–	–
Derivative financial instruments	26	0.6	0.8	0.6	0.8
		3,128.5	**1,693.3**	**1,248.3**	**179.8**
Total assets		**17,865.1**	**13,892.8**	**12,371.4**	**7,308.7**

* 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.

	Note	2024 Group £m	2023 Group £m	2024 Company £m	2023 Company £m
Liabilities					
Current liabilities					
Deferred rental income	20	(326.9)	(236.0)	–	–
Provision for customer rebates	21	(31.7)	(32.7)	–	–
Insurance payables	22	(103.7)	(73.5)	–	–
Trade and other payables	23	(337.5)	(291.9)	(934.1)	–
Provision for insurance claims outstanding	24	(744.5)	(738.8)	–	–
Financial liabilities	25	(682.8)	(296.0)	(510.1)	(186.0)
Derivative financial instruments	26	(16.5)	–	(16.5)	–
		(2,243.6)	**(1,668.9)**	**(1,460.7)**	**(186.0)**
Net current assets/(liabilities)		**884.9**	**24.4**	**(212.4)**	**(6.2)**
Non-current liabilities					
Deferred rental income	20	(608.2)	(382.6)	–	–
Provision for customer rebates	21	(40.5)	(24.0)	–	–
Financial liabilities	25	(10,383.4)	(6,791.9)	(10,355.1)	(6,774.3)
Derivative financial instruments	26	(146.2)	(28.1)	(146.2)	(28.1)
Deferred tax liabilities	27	(437.2)	(575.4)	(4.5)	(4.2)
		(11,615.5)	**(7,802.0)**	**(10,505.8)**	**(6,806.6)**
Total liabilities		**(13,859.1)**	**(9,470.9)**	**(11,966.5)**	**(6,992.6)**
Net assets		**4,006.0**	**4,421.9**	**404.9**	**316.1**
Equity					
Ordinary share capital	28	0.1	0.1	0.1	0.1
Hedging reserve		13.3	12.9	13.3	12.5
Restricted reserves*		3,992.6	4,408.9	391.5	303.5
Total equity		**4,006.0**	**4,421.9**	**404.9**	**316.1**

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 £88.0m (2023: £33.9m), of which £nil (2023: £nil) was a result of dividends received from subsidiaries (see note 16).
These financial statements on pages 95 to 130 were approved by the Board of Directors on 18 December 2024 and signed on behalf of the Board.

Andrew Miller

Andrew Miller
Chief Executive

Motability Operations Group plc
Registered number 06541091

The notes on pages 99 to 130 form an integral part of these financial statements

Statements of changes in equity

Group	Ordinary share capital £m	Hedging reserve £m	Restricted reserves £m	Total equity £m
At 1 October 2022	0.1	52.2	3,804.3	3,856.6
Comprehensive income				
Profit for the year	–	–	604.6	604.6
Other comprehensive income – items that may be reclassified subsequently to profit or loss				
Losses on movements in fair value of cash flow hedging derivatives	–	(155.9)	–	(155.9)
Gains on cash flow hedges reclassified to the income statement	–	106.0	–	106.0
Tax relating to components of other comprehensive income	–	10.6	–	10.6
Total comprehensive (loss)/income	**–**	**(39.3)**	**604.6**	**565.3**
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 30 September 2024	**0.1**	**13.3**	**3,992.6**	**4,006.0**

Company	Ordinary share capital £m	Hedging reserve £m	Restricted reserves £m	Total equity £m
At 1 October 2022	0.1	52.2	269.6	321.9
Comprehensive income				
Profit for the year	–	–	33.9	33.9
Other comprehensive income – items that may be reclassified subsequently to profit or loss				
Losses on movements in fair value of cash flow hedging derivatives	–	(156.3)	–	(156.3)
Gains on cash flow hedges reclassified to the income statement	–	106.0	–	106.0
Tax relating to components of other comprehensive income	–	10.6	–	10.6
Total comprehensive (loss)/income	**–**	**(39.7)**	**33.9**	**(5.8)**
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 30 September 2024	**0.1**	**13.3**	**391.5**	**404.9**

The notes on pages 99 to 130 form an integral part of these financial statements

Statements of cash flows

For the year ended 30 September 2024

	Note	2024 Group £m	2023 Group £m	2024 Company £m	2023 Company £m
Cash flows from operating activities					
Cash used in operations	29	(2,661.6)	(1,253.2)	(2,963.9)	(1,746.1)
Interest (paid)/received		(298.3)	(185.1)	106.9	37.7
Income tax (paid)/received		(12.0)	(57.0)	9.9	(9.9)
Charitable donations		(0.2)	(250.0)	–	–
Net cash (used in)/generated from operating activities		**(2,972.1)**	**(1,745.3)**	**(2,847.1)**	**(1,718.3)**
Cash flows from investing activities					
Purchase of property, plant and equipment	12	(27.0)	(2.3)	–	–
Proceeds from sale of property, plant and equipment	12, 29	0.5	0.7	–	–
Investment in financial assets at amortised cost	15	89.0	(38.8)	–	–
Net cash used in investing activities		**62.5**	**(40.4)**	**–**	**–**
Cash flows from financing activities					
New loans raised		–	150.0	–	150.0
Loans settled		(150.0)	–	(150.0)	–
Bonds issued	25	4,132.6	1,431.8	4,132.6	1,431.8
Bonds redeemed		–	(402.5)	–	(402.5)
Payments of principal portions of lease liabilities		(3.2)	(22.3)	–	–
Net cash generated from financing activities		**3,979.4**	**1,157.0**	**3,982.6**	**1,179.3**
Net increase/(decrease) in cash and cash equivalents		1,069.8	(628.7)	1,135.5	(539.0)
Cash and cash equivalents at beginning of year		80.3	709.0	101.0	640.0
Cash and cash equivalents at end of year	17	**1,150.1**	**80.3**	**1,236.5**	**101.0**

The notes on pages 99 to 130 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 2 to 4 and 13, and the Group's shareholders are detailed in the Corporate governance report on page 62.

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

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

Accounting convention

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

2. Significant accounting policies

Basis of preparation

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 2024 and 2023.

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 8 (Amendments)	Accounting policies, Changes in Accounting Estimates and Errors: Definition
IAS 1 (Amendments)	Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements
IAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

IFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback
IAS 1 (Amendments)	Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current
IAS 12 (Amendments)	International Tax Reform – Pillar Two Model rules
IAS 21 (Amendments)	The Effects of Changes in Foreign Exchange Rates
IFRS 9 (Amendments)	Financial Instruments
IFRS 7 (Amendments)	Financial Instruments: Disclosures
IAS 7 (Amendments)	Statement of Cash Flows
IFRS 18	Presentation and Disclosure in Financial Statements

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

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

IFRS 17 Insurance Contracts

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

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report on pages 3 to 54. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Strategic Report on pages 15 to 19. In addition, note 36 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit, liquidity and foreign exchange risk.

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

The Group has considerable financial resources, with restricted reserves of £4.0bn at 30 September 2024, together with a long-term contract with Motability Foundation to operate the 'Motability Scheme'.

2. Significant accounting policies continued

Going concern continued

The year ended 30 September 2024 saw a record 14.7% growth in customer numbers with the closing fleet standing at 815k. This growth was driven by improvements in new vehicle supply across the UK which has enabled us to make significant progress in fulfilling the customer order bank (which had built steadily during 2022 to 2023). It was also supported by a record 166k new business customers joining the Scheme – a consequence of the growth in the eligible base of recipients of the qualifying Disability Allowances.

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

Despite the loss in the year, the Group's credit ratings remained at A1 and A with Moody's and S&P respectively (both with negative outlooks) and the Group has issued six bonds under our Social Bond Framework: three in January 2024 (a £500m 30-year bond, a €700m 5.5-year bond, and a €1.0bn 10-year bond); and a further three in June 2024 (a £500m 27-year bond, a €1.0bn 5.7-year bond, and a €1.0bn 11-year bond).

The Directors have prepared budgets and cash flow forecasts for the period to 31 December 2025 by means of a baseline forecast. The baseline forecast is established on economic conditions and forecasts as at 30 September 2024.

In addition, the Directors have applied severe, yet plausible, downside scenarios to the baseline forecast, reflecting the potential effects to operations and financial performance through this period of economic and market volatility. These include a deterioration in revenue from disposal of operating lease assets and impacts of issuing new bonds under the Euro Medium Term Note Programme in distressed financial markets.

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

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

The forecast headroom in the event of these severe, yet plausible, scenarios coming to fruition indicates that no mitigating action is required.

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

Basis of consolidation

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

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

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 charged to the income statement. In accordance with IAS 36, impairment is considered as part of the Group's going concern analysis.

Intangible assets

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

Property, plant and equipment

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

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

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

The estimated useful life of right-of-use assets is to the end of the lease contracts. The lease maturity dates are disclosed in note 31.

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

Assets held for use in operating leases

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

2. Significant accounting policies continued

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

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

Inventories

In accordance with IAS 2, operating lease assets are transferred to inventories at their carrying amount when they cease to be leased and become held for sale. Inventories are subsequently measured at the lower of their transfer value and net realisable value.

Revenue recognition – leasing (under IFRS 16)

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

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

Proceeds from disposal of operating lease assets are recognised when the physical vehicles have been sold and control of the vehicles has been passed to the buyer at the point of sale (usually to a car dealership or at auction). For insurance reimbursements, revenue is recognised when the claim has been accepted by the insurer and a valuation provided for the compensation amount.

Provisions for customer rebates

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

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

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

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

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

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

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

Net operating costs

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

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

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

Charitable donations

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

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 or loss 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 or receivable on the profit or loss for the period, using tax rates enacted or substantively enacted by the balance sheet date.

2. Significant accounting policies continued

Taxation continued

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

Long-term incentive arrangements

Payments falling due under long-term incentive arrangements depend upon length of service and performance criteria (see note 34). The cost is recognised during the years in which services are rendered subject to meeting specific performance requirements.

Share capital

Ordinary share capital is classified as equity. The Group's preference shares are classified as debt, with the associated dividend being recognised on an amortised cost basis in the income statement as a finance cost. As regards ordinary shareholders, there is no dividend entitlement. A reserves management policy has been established to ensure that the business and the customer proposition are sustainable throughout the economic cycle.

Financial instruments

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

Recognition and initial measurement

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

Classification and subsequent measurement

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

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

The business model

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

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

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.

2. Significant accounting policies continued

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

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.

Offsetting

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

Derivative financial instruments and hedge accounting: cash flow hedges

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

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

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

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

Impairment policy: financial assets

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

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

In terms of ECL on trade receivables, the Group's policy is to collect all trade debt via direct debit at the point of sale for vehicle disposals, or monthly in other cases. Customer rentals are either paid upfront or by assignment of Government allowances which are collected electronically on a four-weekly basis. No trade receivables include a significant financing component. For trade receivables, cash equivalents and inter-company loans, the key elements used in the calculation of ECL are: the probability of default, the loss given a default occurring, and the exposure at default. The measurement is a probability weighted estimate of credit losses over the expected life of the financial instrument.

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

Foreign currency translation

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

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

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).

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/(Loss) before Tax.

Underlying profit/(loss) 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 the pandemic or geopolitical situation, including additional health and safety measures or government support adjustments, amongst others.

2. Significant 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: profit or loss before tax before gains or losses from disposal of fully terminated leases, residual value adjustments and impairments, profit of loss from specific initiatives like New Vehicle Payment incentives and investment in 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 significant accounting policies and disclosed below where these judgements materially affect the reported numbers. Judgements and estimates also apply when preparing for going concern analysis and disclosures (see note 2).

The Company has no significant accounting estimates.

Key estimate: residual values of operating lease assets

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

Sensitivity analysis

Because of the inherent uncertainty associated with such valuation methodology and in particular the volatility of the prices of second-hand vehicles, the carrying value of the operating lease assets may differ from their realisable value (see note 13).

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

Key estimate and judgement: insurance

The Group provides car insurance as a part of its all-inclusive leasing package to customers. A judgement has been made in relation to whether the insurance services within the lease arrangement meet the definition of an insurance contract under IFRS 17. As the 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 valued as an obligation under IAS 37. As explained below, the valuation of the obligation is underpinned by traditional actuarial valuations of insurance claims.

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

Therefore, the key estimates and judgements relating to insurance 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 impacts from the switch of Scheme insurance arrangements from RSA to DLG.

The reserves held in the financial statements of the Group are adequate. See note 24 for details of claims reserves balances.

Sensitivity analysis

A 1% change in the insurance loss ratio would impact pre-tax profits by £5.1m in the year (2023: £3.5m). The precise outcome of such changes would depend on the impacted layer and frequency of claims in each scenario. Note 24 describes in more detail the sources of uncertainty in the estimation of future claims payments.

Given the current high inflationary environment and uncertainty over future inflation, alternative adverse inflation scenarios have been considered which also provide an indication of the sensitivity of the Group's insurance claims reserves to this assumption. The reserving actuaries estimate that a 1% inflation increase over assumptions would result in adverse movements of £2.4m on the Net Layer, and £3.7m on the Quota Share Layer.

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

Alternative Performance Measure

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 2024 and 2023 is significant.

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

	2024 £m	2023 £m	Note
(Loss)/profit before tax	(564.6)	748.0	
Adjusting items:			
New Vehicle Payment incentives	152.6	78.9	4
EV investment	57.7	19.6	
Charitable donations	0.2	250.0	5
Residual value adjustments:			
Gains from disposal of fully terminated leases	(8.9)	(420.4)	29
Residual value adjustments	(116.1)	(631.0)	6
Impairment of assets	348.8	–	13
Total residual value adjustments	223.8	(1,051.4)	
Underlying (loss)/profit before tax	**(130.3)**	**45.1**	

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:

	2024 £m	2023 £m
Proceeds from disposal of operating lease assets (I)	3,961.7	3,092.3
Rentals receivable from operating lease assets (II)	1,831.9	1,511.1
Rentals receivable from operating lease in-life services	257.4	229.7
Rentals receivable from operating lease insurance	716.7	630.1
Insurance reimbursements from disposal of operating lease assets	81.0	54.5
Finance income	46.2	28.1
Other income	4.0	1.8
Total revenue	**6,898.9**	**5,547.6**

(I) During the year the Group made a gain of £73.9m on the disposal of operating lease assets (2023: £678.1m).
(II) Rentals receivable from operating lease assets are presented net of £152.6m charged due to the New Vehicle Payment (NVP) programme of lease incentives (2023: £78.9m).

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

5. Segmental analysis

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

Scheme Operations

The main responsibilities of the Scheme Operations segment are:

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

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

Fleet Reinsurance

The main responsibilities of the Fleet Reinsurance segment are:

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

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

Segmental performance

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

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 2024 and 30 September 2023.

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 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)**

Year ended 30 September 2023	Scheme Operations £m	Fleet Reinsurance £m	Consolidation adjustments £m	Total £m
Rentals receivable for operating lease assets	1,511.1	–	–	1,511.1
Rentals receivable for operating lease in-life services	229.7	–	–	229.7
Rentals receivable for operating lease insurance	630.1	–	–	630.1
Proceeds from disposal of operating lease assets (including insurance reimbursements):				
Proceeds from external parties	3,146.8	–	–	3,146.8
Inter-segment proceeds	74.0	–	(74.0)	–
Insurance income	–	349.3	(349.3)	–
Other revenue	20.9	9.0	–	29.9
Total revenue	**5,612.6**	**358.3**	**(423.3)**	**5,547.6**
Net book value of disposed operating lease assets	(2,499.7)	–	–	(2,499.7)
Fleet operating costs	(1,034.4)	–	349.3	(685.1)
Insurance claims and commission costs	–	(354.7)	74.0	(280.7)
Depreciation on assets used in operating leases	(467.9)	–	–	(467.9)
Other operating costs	(418.0)	(1.1)	–	(419.1)
Charitable donations	(250.0)	–	–	(250.0)
Net operating costs	**(4,670.0)**	**(355.8)**	**423.3**	**(4,602.5)**
Profit from operations	942.6	2.5	–	945.1
Finance costs	(197.1)	–	–	(197.1)
Profit before tax	745.5	2.5	–	748.0
Taxation	(142.8)	(0.6)	–	(143.4)
Profit for the year	**602.7**	**1.9**	**–**	**604.6**

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 2024 and 30 September 2023.

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
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**

Year ended 30 September 2023	Scheme Operations £m	Fleet Reinsurance £m	Consolidation adjustments £m	Total £m
PPE and Intangible assets	104.7	–	–	104.7
Assets held for use in operating leases (including inventories)	11,959.3	–	–	11,959.3
Derivative financial instruments	6.0	–	–	6.0
Insurance receivables	–	98.9	–	98.9
Reinsurers' share of insurance provisions	–	451.6	72.5	524.1
Trade and other receivables including corporation tax	694.0	–	–	694.0
Financial assets	212.6	394.4	(101.2)	505.8
Total assets	**12,976.6**	**944.9**	**(28.7)**	**13,892.8**
Deferred rental income and provisions for rebates	(675.3)	–	–	(675.3)
Insurance payables	–	(73.5)	–	(73.5)
Trade and other payables	(291.5)	(0.4)	–	(291.9)
Financial liabilities	(7,087.9)	–	–	(7,087.9)
Deferred taxation	(575.4)	–	–	(575.4)
Provision for insurance claims outstanding	–	(666.3)	(72.5)	(738.8)
Derivative financial instruments	(28.1)	–	–	(28.1)
Total liabilities	**(8,658.2)**	**(740.2)**	**(72.5)**	**(9,470.9)**
Net assets	**4,318.4**	**204.7**	**(101.2)**	**4,421.9**
Ordinary share capital	0.1	101.2	(101.2)	0.1
Hedging reserve	12.9	–	–	12.9
Restricted reserves	4,305.4	103.5	–	4,408.9
Total equity	**4,318.4**	**204.7**	**(101.2)**	**4,421.9**

6. Net operating costs

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

	2024 £m	2023 £m
Net book value of disposed operating lease assets	3,887.7	2,414.2
Net book value of operating lease assets derecognised as insurance write-offs	152.4	85.5
Charitable donations	0.2	250.0
Fleet operating costs including insurance, maintenance and roadside assistance costs*	625.8	685.1
Insurance claims expense	491.7	280.7
Other operating costs	55.0	71.1
Employee costs	123.9	105.2
Other product costs including continuous mobility costs, adaptations support, communications	166.2	145.6
Legal and professional fees	44.1	48.3
Bad debt charges and movement in bad debt provisions	1.4	1.2
Management fees	0.8	0.8
Net operating costs before depreciation and amortisation	**5,549.2**	**4,087.7**
Depreciation on assets used in operating leases	1,176.1	467.9
Impairment charge for assets used in operating leases	348.8	–
Depreciation and amortisation of property, plant and equipment and intangible assets	27.7	46.9
Net operating costs	**7,101.8**	**4,602.5**

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

The depreciation charge on assets used in operating leases includes a £21.3m charge (2023: £509.5m release) relating to the change in estimate during the year of future residual values (see note 13). 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 £116.1m release (2023: £631.0m release).

7. Auditor remuneration

	2024	2023
Auditor remuneration: Audit fees for Group and Company financial statements	£481,813	£479,700
Total audit fees for Group and Company financial statements	**£481,813**	**£479,700**
Audit fees paid on behalf of subsidiaries	£359,597	£286,130
Audit-related assurance services	£110,510	£106,310
Tax compliance services	£0	£0
Tax advisory services	£0	£0
Internal audit services	£0	£0
Other assurance services	£100,000	£80,000
Corporate finance services	£0	£0
Total other fees payable to the auditors	**£570,107**	**£472,440**

8. Employee costs

The employee costs for the Company are £nil (2023: £nil). All employee costs for the Group are borne in full by its subsidiary Motability Operations Ltd. The average monthly number of persons employed on a full-time equivalent basis (including Executive Directors) was:

Group

	2024	2023
Administrative staff	**1,559**	**1,395**

	2024 £m	2023 £m
The breakdown of staff costs is as follows:		
Wages and salaries	100.9	86.0
Social security costs	11.1	9.6
Other pension costs	11.9	9.6
Total employee costs	**123.9**	**105.2**

9. Finance costs

The finance costs for the Group are:

	2024 £m	2023 £m
Interest and charges on bank loans and overdrafts	45.9	28.7
Interest on debt issued under the Euro Medium Term Note Programme	314.3	167.5
Interest on right-of-use leased assets	0.8	0.2
Preference dividends	0.7	0.7
Total finance costs	**361.7**	**197.1**

10. Taxation

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

	2024 £m	2023 £m
Current tax		
Charge for the year	–	(10.5)
Adjustment in respect of prior years	9.9	4.1
Total	**9.9**	**(6.4)**
Deferred tax		
Origination and reversal of temporary differences	149.4	(89.7)
Adjustments recognised in the current year in relation to the deferred tax of prior years	(11.0)	(4.1)
Impact of change in UK tax rate	–	(43.2)
Total	**138.4**	**(137.0)**
Total tax credit/(charge) on (loss)/profit	**148.3**	**(143.4)**

10. Taxation continued

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

	2024 £m	2023 £m
(Loss)/profit before tax	**(564.6)**	**748.0**
Tax calculated at appropriate tax rates applicable to (loss)/profit (2024: 25%, 2023: 22%)	141.2	(164.6)
Non-taxable capital gains	30.1	67.9
Expenses not deductible for tax purposes	(0.8)	(3.5)
Foreign tax rate differences	(21.1)	–
Adjustments relating to prior year's deferred tax	(11.0)	(4.1)
Adjustments recognised in the current year in relation to the current tax of prior years	9.9	4.1
Taxation excluding the impact of future changes in the UK corporation tax rate	148.3	(100.2)
Non-recurring items		
Remeasurement of deferred tax due to future changes in the UK corporation tax rate	–	(43.2)
Total tax credit/(charge) on (loss)/profit	**148.3**	**(143.4)**

2024 profits were taxable at 25% tax rate.

Following the substantive enactment of legislation in Parliament on 24 May 2021 the standard rate of corporation tax in the UK changed from 19% to 25% with effect from 1 April 2023 onwards. Accordingly, 2023 profits were taxable at 22% blended rate and deferred tax has been remeasured at the rate at which timing differences were expected to reverse (see note 27).

The Group's effective tax rate (excluding the impact of changes to future UK tax rates, impact of foreign tax rates and prior year adjustments) is 30.2% (2023: 13.4%). This is different to the standard rate due to non-taxable capital gains on disposal of motor vehicles for values above cost, and non-deductible expenses consisting predominantly of depreciation on leasehold improvements and preference dividends payable.

Tax paid

Under HMRC's quarterly instalments regime for corporation tax, all four instalments were considered as payable during the year (for the Group, in December, March, June and September). During 2024, the Group paid £12.0m towards the overall current tax of £9.9m (2023: £57.0m towards a tax charge of £6.4m) and the Group also paid £nil relating to prior years (2023: £nil paid relating to prior years). The cumulative effect is a debtor balance of £95.8m, which includes £73.9m relating to prior years (2023: a debtor balance of £23.2m), 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 and the UK enacted a multinational top-up tax ('UK IIR') and domestic top-up tax ('UK DTT') in Finance (No. 2) Act 2023. The UK IIR and UK DTT are in force for accounting periods beginning on or after 1 January 2024 and will therefore first apply to the Group in FY25. The Isle of Man (IOM) is the only jurisdiction besides the UK where the Group has a resident entity. The IOM has not enacted any Pillar Two legislation to date but has announced that it intends to bring in an Income Inclusion Rule and Domestic Minimum Top-up Tax during 2025. The Group has considered the potential impact of the GloBE rules and does not currently expect to be liable for top-up taxes in either the UK or the IOM, due to the UK corporate tax rate and tax profile of the two UK Group entities, and the UK Controlled Foreign Company charge paid by Motability Operations Group plc in respect of MO Reinsurance Limited (MORL), which should be allocated to MORL under the UK IIR.

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

11. Intangible assets

Group

	Total £m
At 1 October 2022	158.6
Additions	–
At 1 October 2023	158.6
Additions	–
At 30 September 2024	**158.6**
Accumulated amortisation and impairment	
At 1 October 2022	84.7
Amortisation charge for the year	24.0
At 1 October 2023	108.7
Amortisation charge for the year	19.2
At 30 September 2024	**127.9**
Carrying amount	
At 1 October 2022	73.9
Additions	–
Amortisation	(24.0)
At 1 October 2023	49.9
Additions	–
Amortisation	(19.2)
At 30 September 2024	**30.7**

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

12. Property, plant and equipment

Group

Cost	Motor vehicles £m	Leasehold improvements £m	Right-of-use leased assets (property) £m	Land and buildings £m	Fixtures, fittings and office equipment £m	Total £m
At 1 October 2022	2.7	41.5	51.3	30.2	8.9	134.6
Additions	1.4	0.1	–	0.2	0.6	2.3
Disposals	(1.2)	(1.9)	(4.7)	(10.0)	–	(17.8)
At 1 October 2023	2.9	39.7	46.6	20.4	9.5	119.1
Additions	2.0	8.3	12.9	15.4	1.2	39.8
Disposals	(1.1)	–	–	–	–	(1.1)
At 30 September 2024	**3.8**	**48.0**	**59.5**	**35.8**	**10.7**	**157.8**
Accumulated depreciation						
At 1 October 2022	1.5	18.2	14.8	–	7.9	42.4
Charge for the year	0.7	3.0	18.3	–	0.9	22.9
Eliminated on disposals	(1.0)	–	–	–	–	(1.0)
At 1 October 2023	**1.2**	**21.2**	**33.1**	**–**	**8.8**	**64.3**
Charge for the year	0.8	3.2	3.8	–	0.7	8.5
Eliminated on disposals	(0.8)	–	–	–	–	(0.8)
At 30 September 2024	**1.2**	**24.4**	**36.9**	**–**	**9.5**	**72.0**
Carrying amount						
At 1 October 2022	1.2	23.3	36.5	30.2	1.0	92.2
Additions	1.4	0.1	–	0.2	0.6	2.3
Disposals	(0.2)	(1.9)	(4.7)	(10.0)	–	(16.8)
Depreciation	(0.7)	(3.0)	(18.3)	–	(0.9)	(22.9)
At 1 October 2023	1.7	18.5	13.5	20.4	0.7	54.8
Additions	2.0	8.3	12.9	15.4	1.2	39.8
Disposals	(0.3)	–	–	–	–	(0.3)
Depreciation	(0.8)	(3.2)	(3.8)	–	(0.7)	(8.5)
At 30 September 2024	**2.6**	**23.6**	**22.6**	**35.8**	**1.2**	**85.8**

At 30 September 2024, the Group had entered into contractual commitments in respect of capital expenditure on property, plant and equipment amounting to £14.2m (2023: £nil).

13. Assets held for use in operating leases

Group

Motor vehicle assets

	Cost £m	Accumulated depreciation £m	Carrying amount £m
At 1 October 2022	10,646.1	(1,081.6)	9,564.5
Additions	5,238.4	–	5,238.4
Depreciation	–	(467.9)	(467.9)
Transfer to inventory	(3,236.1)	622.5	(2,613.6)
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 30 September 2024	**16,124.6**	**(1,829.3)**	**14,295.3**

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

	2024 £m	2023 £m
No later than one year	2,590.7	3,532.7
Later than one year and no later than two years	3,587.6	2,778.1
Later than two years and no later than three years	5,558.0	3,767.1
Later than three years and no later than four years	52.3	52.4
Later than four years and no later than five years	80.8	60.2
Total exposure	**11,869.4**	**10,190.5**

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.

13. Assets held for use in operating leases continued

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

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

* 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 2024 of £618.2m (2023: £1,207.0m) is included within the accumulated depreciation balance of £1,829.2m (2023: £927.0m) on assets held for use in operating leases.

Impairment charges included in the net book value of operating leases

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

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

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

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

	2024 Group £m
No later than one year	150.8
Later than one year and no later than two years	141.7
Later than two years and no later than three years	56.3
Total	**348.8**

The Group as lessor

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

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

14. Inventories

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

Inventories represent the operating lease assets previously held for rental 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 (2023: £nil). During the year there was no change to the provision and no write-off (2023: 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 £4,040.1m (2023: £2,499.7m).

	£m
At 1 October 2022	124.0
Transfer from operating lease assets (note 13)	2,613.6
Disposals (including insurance write-offs)	(2,499.7)
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 30 September 2024	**226.5**

15. Financial assets at amortised cost

	2024 Group £m	2023 Group £m
Financial assets at amortised cost		
Fixed-income bonds	229.9	319.0
Included in:		
Non-current assets	136.9	220.8
Current assets	93.0	98.2

Financial assets at amortised cost are presented net of expected credit loss (ECL) provisions of £0.5m (2023: £0.3m).

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

	2024 Group £m	2023 Group £m
On demand or no later than one year	93.0	98.2
Later than one year and no later than two years	77.5	92.7
Later than two years and no later than five years	50.4	106.5
Later than five years	9.0	21.6
Total	**229.9**	**319.0**

Allowances for impairment (ECL) of financial assets at amortised cost during the year decreased by £0.2m (2023: decreased by £0.1m).

15. Financial assets at amortised cost continued

The carrying amounts and fair value of the assets:

	2024 Group carrying amount £m	2024 Group fair value £m	2023 Group carrying amount £m	2023 Group fair value £m
Current financial assets at amortised cost	93.0	92.5	98.2	96.9
Non-current financial assets at amortised cost	136.9	134.8	220.8	211.1
Total	**229.9**	**227.3**	**319.0**	**308.0**

Fixed-income bonds

The Group's fixed-income bonds comprise investments in quoted debt securities, the majority of which are issued by institutions within the European Union. The bonds are rated A- or better by Standard and Poor's or A3 or better by Moody's. The average effective interest rate of the quoted debt securities is 2.0% per annum (2023: 2.3%), with coupon rates ranging from 0.1% to 7.0% per annum (2023: 0.1% to 7.0%). The fixed-income bonds are denominated in Sterling, which is the functional currency of the Group.

16. Investment in subsidiaries

	2024 £m	2023 £m
Investment in subsidiaries at 30 September	110.9	110.9

The Company's subsidiaries, which are all included in the consolidation, are set out below.

Directly owned	Registered office	Proportion of all classes of issued share capital owned by the Company	Principal activity
Motability Operations Limited	(I)	100%	Operation of the Scheme
MO Reinsurance Limited	(II)	100%	Provision of Scheme reinsurance arrangements

(I) 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 (2023: £nil) from MO Reinsurance Limited.

Loans to Group companies

	2024 Company £m	2023 Company £m
Motability Operations Limited	11,008.5	7,008.9

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 £403.7m (2023: £222.0m) 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

	2024 Group £m	2023 Group £m	2024 Company £m	2023 Company £m
Cleared balances	1,319.6	186.6	1,236.5	101.0
Cash in the course of collection	–	0.2	–	–
Cash and bank balances	1,319.6	186.8	1,236.5	101.0
Cleared overdrafts	–	–	–	–
Cash in the course of transmission	(169.5)	(106.5)	–	–
Cash and cash equivalents	**1,150.1**	**80.3**	**1,236.5**	**101.0**

Cash and bank balances comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amounts of these assets approximate to their fair value. Cash in the course of transmission represents committed transactions that have not cleared the bank at the year-end, and are not therefore shown in bank overdrafts.

18. Insurance receivables

	2024 Group £m	2023 Group £m
Insurance premium debtor	71.1	43.8
Claims recoveries and rebates	6.3	1.9
Reinsurance claims recoveries and commissions receivable	50.7	53.2
Total insurance receivables	**128.1**	**98.9**

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

19. Trade and other receivables

	2024 Group £m	2023 Group £m	2024 Company £m	2023 Company £m
Trade receivables	256.0	146.1	–	–
Other receivables	182.1	156.2	–	77.4
Prepayments and accrued income	483.7	317.8	14.9	4.5
Total	**921.8**	**620.1**	**14.9**	**81.9**
Included in current assets	733.9	472.7	11.2	78.0
Included in non-current assets	187.9	147.4	3.7	3.9
Total	**921.8**	**620.1**	**14.9**	**81.9**

Trade receivables include an allowance for estimated irrecoverable amounts of £3.9m (2023: £2.2m). This allowance has been made by reference to past default experience and the ECL rules of IFRS 9. During the year there was £1.7m increase to the provisions and £nil receivables written off (2023: £0.1 increase in provisions and £nil written off). The average receivable days period is 13 days (2023: nine days).

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

19. Trade and other receivables continued

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 £34.8m (2023: £6.7m) 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 nine days (2023: 19 days).

Ageing of past due but not impaired receivables:

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

20. Deferred rental income

	2024 Group £m	2023 Group £m
Current		
Customers' Advance Payments*	345.5	237.0
Vehicle in-life service income	(2.3)	2.0
Vehicle insurance income	(16.3)	(3.0)
Total current	**326.9**	**236.0**
Non-current		
Customers' Advance Payments*	387.7	275.9
Vehicle in-life service income	114.5	79.8
Vehicle insurance income	106.0	26.9
Total non-current	**608.2**	**382.6**
Total	**935.1**	**618.6**

* Customers may choose a leased vehicle where the price exceeds the mobility allowance. In such cases they make an Advance Payment which is recognised on a straight-line basis over the life of the lease.

Deferred income balances

Movements in deferred income balances during the period:

	In-life services income £m	Insurance income £m	Total £m
At 1 October 2022	76.6	28.5	105.1
Recognised in revenue	(35.8)	(14.9)	(50.7)
Increases due to cash received	41.0	10.3	51.3
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 30 September 2024	**112.2**	**89.7**	**201.9**

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

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

For insurance cover

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

21. Provision for customer rebates

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

Analysis of provisions

	2024 £m	2023 £m
Included in non-current liabilities	40.5	24.0
Included in current liabilities	31.7	32.7
Total	**72.2**	**56.7**

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

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

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

22. Insurance payables

	2024 Group £m	2023 Group £m
Reinsurance premiums payable	42.0	3.9
Commissions and administration fee payable	–	21.5
Claims reimbursements payable	61.7	48.1
Total insurance payables	**103.7**	**73.5**

The carrying value of insurance payables approximates to fair value.

23. Trade and other payables

	2024 Group £m	2023 Group £m
Trade payables	138.3	141.5
Social security and other taxes	2.8	2.6
Accruals	194.4	142.9
Other payables	0.3	–
Advance Payments received from DWP	1.7	4.9
Total	**337.5**	**291.9**

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 (2023: 30 days).

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

24. Provision for insurance claims outstanding and insurance risk management

Insurance risk management

The risk under any one insurance service is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance service, this risk is defined although occurrence is random and therefore unpredictable. The principal risks of insurance relate to underwriting and insurance provision (reserving) risk. Underwriting risks arise out of day-to-day activities in underwriting contracts of insurance, as well as risks associated with outward reinsurance. Insurance provision (reserving) risk is the possibility that actual claims payments differ from the carrying amount of the insurance reserves. This could occur because the frequency or severity of claims is greater or less than estimated.

The Group manages this risk through a proactive approach, including:

- regular Board and insurance steering committee meetings, at which the claims information is analysed together with any material changes to the risk;
- the Board recognising that it is responsible for the assessment of the total cost of risk and setting of premiums which are commensurate with the exposure, revisable on a six-monthly basis based upon actuarially forecast information;
- the purchase of reinsurance to protect against losses exceeding individual or cumulative risk tolerances;
- insurance managers' receipt of claims data on a monthly basis, the content of which is reviewed and any unexpected movements queried;
- significant individual losses being notified separately and the development of claims monitored;
- appointment of independent third-party claims handlers, selected on the basis of their ability to manage significant claims volumes whilst negotiating efficient and equitable claims settlements; and
- a system of review is in place whereby all claims in excess of £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.

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

Insurance risk management continued

Motor insurance risks

The Group provides 80% motor quota-share reinsurance in respect of the fleet block insurance policy. Comprehensive cover is provided including motor own damage, motor third-party damage and motor third-party liability. Due to the nature of this class of business, the frequency and severity of insured losses is difficult to predict. The Group mitigates its exposure through the purchase of appropriate reinsurance.

Sources of uncertainty in the estimation of future claim payments

Claims in respect of the motor quota-share reinsurance are payable on a loss-occurring basis. The Group is liable for all insured events that occur during the term of the contract. There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the timing of claims settlements. The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is possible that the final outcome will prove to be different from the original liability established.

The estimation of the incurred but not reported (IBNR) reserve is determined by utilising an actuarial assessment and is based on historical claims experience. In estimating the liability for the cost of reported claims not yet paid, the Group considers any information available from loss adjusters and legal advisers and information on the cost of settling claims with similar characteristics in previous periods.

Reinsurance

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 (2023: £40,000) each and every claim.
- Excess of loss reinsurance protects the Group and ceding insurer against individual losses exceeding £5,000,000 (2023: £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; and
- independent third-party reinsurance brokers being appointed on the basis of their ability to negotiate, recommend and place reinsurance with appropriate markets.

Provision for insurance claims outstanding

These provisions are comprised of specific claims reserves including adjustments for insurance claims incurred but not reported.

Claims reserves including IBNR

Claims reserves are stated gross of losses recoverable from reinsurers. Claims reserves are based on assumptions regarding past claims experience and on assessments by an independent claims handler, and are intended to provide a best estimate of the most likely or expected outcome. The ultimate liabilities will vary as a result of subsequent developments. Differences resulting from reassessment of the ultimate liabilities are recognised in subsequent financial statements.

Motor quota-share reinsurance	2024 Group £m	2023 Group £m
Notified claims reserves	754.9	570.0
IBNR reserve	74.9	168.8
IBNR recoveries	(25.0)	(93.8)
Third-party recoveries reserve	(85.3)	(72.5)
Reinsurance recoveries reserve	(506.1)	(357.8)
Total net retained	**213.4**	**214.7**
Included in liabilities	744.5	738.8
Included in assets	**(531.1)**	(524.1)
Total net retained	**213.4**	**214.7**

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.

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 2023 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.

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

Provision for insurance claims outstanding continued

Line items in the Group accounts

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

Insurance claims and commission costs	2024 Group £m	2023 Group £m
Current year claims including IBNR	474.2	321.3
Prior year claims	36.9	(18.3)
Reinsurance commissions, MIB levies and administration fees	(19.4)	(22.3)
Insurance claims and commission costs	**491.7**	**280.7**

During the year reinsurance commissions of £43.3m were booked (2023: £36.0m) comprising a guaranteed element of £1.0m (2023: £11.3m) and a variable element of £42.3m (2023: £24.7m).

Motor quota-share reinsurance

The development of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims. The top half of each table below illustrates how the Group's estimate of total claims outstanding for each underwriting period has changed at successive period ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the balance sheet. An underwriting year basis is considered to be most appropriate for the business written by the Group.

Estimate of ultimate claims cost	Underwriting year 2019 £m	Underwriting year 2020 £m	Underwriting year 2021 £m	Underwriting year 2022 £m	Underwriting year 2023 £m	Underwriting year 2024 £m	Total £m
At end of reporting year	401.3	354.8	373.8	448.0	505.8	866.2	
One year later	399.0	364.2	376.0	464.6	515.6		
Two years later	396.0	353.6	364.8	460.2			
Three years later	394.7	342.1	356.4				
Four years later	390.7	334.1					
Five years later	378.7						
Current estimate of cumulative claims	378.7	334.1	356.4	460.2	515.6	866.2	2,911.2
Cumulative payments to date	(370.8)	(324.0)	(314.6)	(384.0)	(405.0)	(465.9)	(2,264.3)
Rebates	25.9	26.4	26.7	28.0	27.4	7.1	141.5
Claims reserves included in the balance sheet	33.8	36.5	68.5	104.2	138.0	407.4	788.4
Claims reserves in respect of prior periods							41.6
Total liability included in the balance sheet							**830.0**

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

Current underwriting year

An increase in claims frequency and a change in driver risk profile, together with the increase in new vehicles, contributed to the higher projected ultimate cost of claims. In addition, repair cost inflation continued throughout the year.

Prior underwriting years

Projected ultimate claims for all years prior to the 2023/24 underwriting year have decreased due to an improvement in the outlook of small and large bodily injury claims and the improved outlook on large claims overall, together with an increase in the Ogden rate in Scotland and Northern Ireland. The assumption of an Ogden rate increase in England and Wales has been built into the actuarial assumptions for projected ultimate losses.

The Company continues to see indications of an improvement in small bodily injury claims due to the impact of the whiplash claims reforms in England and Wales, fully implemented in 2021.

Estimate of ultimate claims cost net of reinsurance	Underwriting year 2019 £m	Underwriting year 2020 £m	Underwriting year 2021 £m	Underwriting year 2022 £m	Underwriting year 2023 £m	Underwriting year 2024 £m	Total £m
At end of reporting year	247.1	209.7	220.6	289.8	311.1	548.5	
One year later	235.0	209.0	220.2	278.1	308.3		
Two years later	239.8	206.6	215.8	284.1			
Three years later	239.7	205.0	216.0				
Four years later	238.4	206.1					
Five years later	238.4						
Current estimate of cumulative claims	238.4	206.1	216.0	284.1	308.3	548.5	1,801.4
Cumulative payments to date	(262.8)	(229.2)	(235.0)	(289.0)	(308.4)	(406.3)	(1,730.7)
Rebates	25.9	26.4	26.7	28.1	27.4	7.1	141.6
Claims reserves included in the balance sheet, net of recoveries	1.5	3.3	7.7	23.2	27.3	149.3	**212.3**
Claims reserves in respect of prior periods							**1.2**
Total net liability included in the statement of financial position							**213.5**
Comprises:							
Specific claims reserves including IBNR							830.0
Third-party recoveries reserve							(85.3)
Reinsurance recoveries reserve							(531.2)
Total							**213.5**

MORL reported underwriting losses in 2024, which are the result of a combination of factors including repair cost inflation and change in driver risk profile. MORL has continued to adjust future premium pricing to address under-pricing during the year.

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

Movements in insurance liabilities

	2024 Gross £m	2024 Recoveries £m	2024 Net £m	2023 Gross £m	2023 Recoveries £m	2023 Net £m
Claims						
Notified claims including IBNR	738.8	(451.6)	287.2	667.4	(431.1)	236.3
Notified claims recoveries	(72.5)	–	(72.5)	(57.8)	–	(57.8)
Total at beginning of year	**666.3**	**(451.6)**	**214.7**	**609.6**	**(431.1)**	**178.5**
Cash paid for claims settled						
In the year	(679.8)	53.8	(626.0)	(329.3)	62.5	(266.8)
Movement in liabilities						
Current year claims including IBNR	816.0	(191.7)	624.3	434.1	(112.8)	321.3
Prior year claims	(57.7)	58.3	0.6	(48.1)	29.8	(18.3)
Total at end of year	**744.8**	**(531.2)**	**213.6**	**666.3**	**(451.6)**	**214.7**
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 end of year	**744.7**	**(531.2)**	**213.5**	**666.3**	**(451.6)**	**214.7**

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

25. Financial liabilities

	2024 Group £m	2023 Group £m	2024 Company £m	2023 Company £m
Current				
Accrued interest and coupon	93.9	36.0	93.9	36.0
Cash in the course of transmission	169.5	106.5	–	–
Bank loans	–	150.0	–	150.0
Bank overdrafts	–	–	–	–
Debt issued under the Euro Medium Term Note Programme (less unamortised discount and transaction costs)	416.2	–	416.2	–
Right-of-use asset lease liabilities	3.2	3.5	–	–
Total current	**682.8**	296.0	**510.1**	186.0
Non-current				
Bank loans	399.0	399.0	399.0	399.0
Debt issued under the Euro Medium Term Note Programme (less unamortised discount and transaction costs)	9,946.1	6,365.3	9,946.1	6,365.3
Preference shares	10.0	10.0	10.0	10.0
Provision for restoration works*	6.3	5.6	–	–
Right-of-use asset lease liabilities	22.0	12.0	–	–
Total non-current	**10,383.4**	**6,791.9**	**10,355.1**	**6,774.3**
Total	**11,066.2**	**7,087.9**	**10,865.2**	**6,960.3**
The financial liabilities are repayable as follows:				
On demand or no later than one year	682.8	296.0	510.1	186.0
Later than one year and no later than two years	802.1	435.5	798.8	433.3
Later than two years and no later than five years	2,105.1	1,967.3	2,092.7	1,961.2
Later than five years	7,476.2	4,389.1	7,463.6	4,379.8
Total	**11,066.2**	**7,087.9**	**10,865.2**	**6,960.3**

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

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

Bank borrowings

All bank borrowings as at 30 September 2024 and 2023 are at floating rates.

As at 30 September 2024 the Group has the following principal bank loans:

- a five-year term loan of £0.4bn taken out on 31 October 2022, extended for the first time by one year effective 31 October 2023; and
- a five-year revolving credit facility of £1.5bn taken out on 31 October 2022, extended for the first time by one year effective 31 October 2023 of which £nil was drawn on 30 September 2024 (2023: £150m). The facility repayment date is 31 October 2029.

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

25. Financial liabilities continued

Debt issued under the Euro Medium Term Note Programme

Bonds issued under the Euro Medium Term Note Programme, net of unamortised discounts and issue costs, are analysed as follows:

	Issue date	Expiry date	Coupon rate %	Bond value currency m	Hedged value £m	30 September 2024 £m	30 September 2023 £m
Eurobond	14 March 2017	14 March 2025	0.875	€ 500.0	433.8	416.2	433.3
Eurobond	03 July 2019	03 January 2026	0.375	€ 600.0	538.2	499.4	519.8
Sterling bond	16 July 2014	16 July 2026	3.750			299.5	299.2
Sterling bond	08 February 2012	08 February 2027	4.375			299.1	298.7
Eurobond	20 January 2021	20 July 2028	0.125	€ 500.0	445.0	415.9	432.9
Sterling bond	03 July 2019	03 July 2029	1.750			396.8	396.2
Eurobond	24 January 2024	24 July 2029	3.625	€ 700.0	600.6	581.8	–
Sterling bond	29 November 2010	29 November 2030	5.625			299.3	299.1
Eurobond	17 June 2024	17 January 2030	4.000	€ 1,000.0	845.5	831.2	–
Eurobond	17 January 2023	17 July 2031	3.500	€ 500.0	441.9	415.6	432.6
Sterling bond	14 March 2017	14 March 2032	2.375			346.9	346.5
Eurobond	24 January 2024	24 January 2034	3.875	€ 1,000.0	858.0	831.2	–
Sterling bond	11 September 2023	11 September 2035	5.625			246.6	246.3
Eurobond	17 June 2024	17 June 2035	4.250	€ 1,000.0	845.5	831.1	
Sterling bond	10 March 2016	10 March 2036	3.625			593.1	592.5
Sterling bond	03 July 2019	03 July 2039	2.375			491.2	490.6
Sterling bond	20 January 2021	20 January 2041	1.500			344.7	344.4
Sterling bond	18 January 2022	18 January 2042	2.125			489.4	488.8
Sterling bond	17 January 2023	17 January 2043	4.875			347.4	347.2
Sterling bond	11 September 2023	11 September 2048	5.750			397.4	397.2
Sterling bond	17 June 2024	17 June 2051	5.750			493.3	–
Sterling bond	24 January 2024	24 January 2054	5.625			495.2	–
						10,362.3	6,365.3

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.

The Company has a £12.0bn 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 £12.0bn 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 2024 and 30 September 2023 were as follows:

	2024 Group %	2023 Group %	2024 Company %	2023 Company %
Current bank loans and overdrafts	–	5.9	–	5.9
Non-current bank loans	5.7	5.9	5.7	5.9
Non-current debt issued under the Euro Medium Term Note Programme	4.1	3.2	4.1	3.2
Non-current preference shares	**7.0**	7.0	**7.0**	7.0

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

	2024 Group £m	2023 Group £m	2024 Company £m	2023 Company £m
Working capital facility	100.0	99.6	100.0	99.6*
Revolving credit facility	1,500.0	1,350.0	1,500.0	1,350.0
Total	**1,600.0**	**1,449.6**	**1,600.0**	**1,449.6**

* 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:

	2024 Group £m	2023 Group £m	2024 Company £m	2023 Company £m
No later than one year	–	–	–	–
Later than one year and no later than two years	**100.0**	99.6	**100.0**	99.6
Later than two years and no later than five years	**1,500.0**	1,350.0	**1,500.0**	1,350.0
Total	**1,600.0**	1,449.6	**1,600.0**	1,449.6

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 2024, the Eurobond debt liability was decreased by £179.8m (30 September 2023: was decreased by £38.8m). This movement of £141.0m is a result of Sterling strengthening against the Euro to 1.20 (2023: 1.15). The associated assets and liabilities relating to derivatives at 30 September 2024 were a net liability of £162.0m (30 September 2023: net liability of £22.2m). This movement of £184.2m is a result of a decrease in valuation. The net valuation difference at 30 September 2024 is therefore an asset of £17.8m which, after tax at 25%, leads to a hedging reserve of £13.3m. No further hedging reserve is held in respect of USD at 30 September 2024 (30 September 2023: £0.4m) to meet future liabilities in USD under an IT contract.

25. Financial liabilities continued

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.

26. Derivative financial instruments

	Group 2024		Company 2024	
	Fair value £m	Notional amounts £m	Fair value £m	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**

	Group 2023		Company 2023	
	Fair value £m	Notional amounts £m	Fair value £m	Notional amounts £m
Cash flow hedges				
Cross-currency swaps	(26.5)	1,858.9	(26.5)	1,858.9
Interest rate swaps	4.3	400.0	4.3	400.0
Total	**(22.2)**	**2,258.9**	**(22.2)**	**2,258.9**
Included in non-current liabilities	(28.1)	1,425.1	(28.1)	1,425.1
Included in current liabilities	–	–	–	–
Derivative financial instrument liabilities	**(28.1)**	**1,425.1**	**(28.1)**	**1,425.1**
Included in non-current assets	5.2	633.8	5.2	633.8
Included in current assets	0.8	200.0	0.8	200.0
Derivative financial instrument assets	**6.0**	**833.8**	**6.0**	**833.8**

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 %
14 March 2017	€ 500.0	0.875	2.061
03 July 2019	€ 600.0	0.375	1.770
20 January 2021	€ 500.0	0.125	1.083
24 January 2024	€ 700.0	3.625	5.110
17 June 2024	€ 1,000.0	4.000	5.503
17 January 2023	€ 500.0	3.500	4.737
24 January 2024	€ 1,000.0	3.875	5.414
17 June 2024	€ 1,000.0	4.250	5.777

Interest rate swaps

At 30 September 2024, the fixed interest rate varied from 3.901% to 4.4335% (2023: the fixed interest rate varied from 3.901% to 4.19%) 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 2024 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.

	2024 Group £m	2023 Group £m	2024 Company £m	2023 Company £m
No later than one year	(79.1)	(18.8)	(79.1)	(18.8)
Later than one year and no later than three years	(119.4)	(29.4)	(119.4)	(29.4)
Later than three years and no later than five years	(110.6)	(19.5)	(110.6)	(19.5)
Later than five years	(121.3)	(16.5)	(121.3)	(16.5)
Total	**(430.4)**	**(84.2)**	**(430.4)**	**(84.2)**

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.

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	Accelerated depreciation £m	Total £m
Net at 1 October 2022	**437.6**	**(0.3)**	**14.7**	**(3.1)**	**448.9**
Charge/(credit) to income	90.2	(1.5)	–	1.0	89.7
Charge to income due to change in UK tax rate	42.9	–	–	0.3	43.2
Credit to equity	–	–	(10.0)	–	(10.0)
Credit to equity due to change in UK tax rate	–	–	(0.5)	–	(0.5)
Adjustment in respect of prior years	4.1	–	–	–	4.1
Net at 1 October 2023	**574.8**	**(1.8)**	**4.2**	**(1.8)**	**575.4**
(Credit)/charge to income	(151.1)	1.5	–	0.1	(149.5)
Charge to equity	–	–	0.3	–	0.3
Adjustment in respect of prior years	10.9	–	–	0.1	11.0
Net at 30 September 2024	**434.6**	**(0.3)**	**4.5**	**(1.6)**	**437.2**

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.

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

The temporary differences arise because capital allowances for fleet vehicles are received at a higher rate than accounting depreciation charged under IFRSs. At the balance sheet date these differences amounted to £1.8bn (2023: £2.3bn). When measured to unwind at applicable rates as described above, this represents a deferred tax liability of £434.6m (2023: £574.8m).

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

Company

Movement in deferred tax on derivatives:

	Derivatives £m
Asset at 1 October 2022	**14.7**
Credit to equity	(10.0)
Credit to equity due to change in UK tax rate	(0.5)
Asset at 1 October 2023	**4.2**
Charge to equity	0.3
Asset at 30 September 2024	**4.5**

28. Ordinary share capital

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

	2024	2023
Authorised:		
100,000 (2023: 100,000) Ordinary shares of £1 each	£100,000	£100,000
Issued and fully paid:		
50,000 (2023: 50,000) Ordinary shares of £1 each	£50,000	£50,000

In accordance with the Shareholders' Agreement, the ordinary shareholders will not procure a dividend and, in the event of a winding-up, all reserves surplus to the redeeming ordinary and preference share capital at par and outstanding dividends on the preference shares will be covenanted to Motability Foundation, the Charity.

The Company has 10,900,000 authorised 7% redeemable cumulative preference shares of £1 each, classified as a liability, of which 9,950,000 are in issue. These shares do not carry voting rights. Further details are provided in note 25.

29. Cash (used in)/generated from operations

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

	2024 Group £m	2023 Group £m	2024 Company £m	2023 Company £m
(Loss)/profit before tax	(564.6)	748.0	78.1	44.4
Adjustments for:				
Depreciation and amortisation charge on corporate assets	27.7	46.9	–	–
Depreciation charge on operating lease assets	1,176.1	467.9	–	–
Impairment charge for assets used in operating leases	348.8	–	–	–
Impairment charge for financial assets at amortised cost	0.2	(0.1)	–	–
Finance costs/(income)	361.7	197.1	(43.2)	(25.7)
Gains on disposal of operating lease assets	(73.9)	(678.1)	–	–
Losses on operating lease assets written off through insurance	71.4	31.0	–	–
(Gains)/losses on disposal of corporate assets	(0.2)	11.6	–	–
Increase/(decrease) in provision for restoration works	0.7	(1.7)	–	–
Decrease in bad debt provisions	1.7	0.1	–	–
Operating cash flows before movements in working capital	1,349.6	822.7	34.9	18.7
Purchase of assets held for use in operating leases	(8,127.7)	(5,238.4)	–	–
Proceeds from sale of assets held for use in operating leases	3,961.7	3,092.3	–	–
Proceeds from insurance reimbursements of operating lease assets written off	81.0	54.5	–	–
Charitable donations paid	0.2	250.0	–	–
Increase in insurance receivables	(29.2)	(41.9)	–	–
(Increase)/decrease in other receivables	(301.7)	(347.1)	0.1	(80.9)
Increase in loans to and investment in subsidiaries	–	–	(3,999.6)	(1,189.5)
Increase in deferred rental income	316.5	156.4	–	–
Increase/(decrease) in provision for customer rebates	15.5	(166.9)	–	–
(Decrease)/increase in provision for net insurance claims	(1.3)	36.2	–	–
Increase in insurance payables	30.2	21.0	–	–
Increase/(decrease) in payables	43.6	108.0	1,000.7	(494.4)
Cash used in operations	**(2,661.6)**	**(1,253.2)**	**(2,963.9)**	**(1,746.1)**

The value of gains or losses from disposal of fully terminate leases included in gains or losses on disposal of operating lease assets is £8.9m gain (2023: £420.4m gain).

30. Analysis of changes in net debt

Group

	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 bank balances	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)**

	At 1 October 2022 £m	Cash flows £m	Foreign exchange £m	Fair value movements £m	Amortisation of premiums and discounts and provision charge £m	At 30 September 2023 £m
Cash and bank balances	769.3	(582.5)	–	–	–	186.8
Bank overdrafts and cash in the course of transmission	(60.3)	(46.2)	–	–	–	(106.5)
Cash and cash equivalents	709.0	(628.7)	–	–	–	80.3
Borrowings due within one year	–	(150.0)	–	–	–	(150.0)
Borrowings due after one year	(399.8)	–	–	–	0.8	(399.0)
Debt issued under the Euro Medium Term Note Programme	(5,437.1)	(1,029.3)	106.0	–	(4.9)	(6,365.3)
Derivative financial instruments	134.2	–	–	(156.4)	–	(22.2)
Preference shares	(10.0)	–	–	–	–	(10.0)
Provision for restoration works	(7.3)	–	–	1.7	–	(5.6)
Right-of-use asset lease liabilities	(42.6)	22.5	–	4.8	(0.2)	(15.5)
Financing activities	**(5,762.6)**	**(1,156.8)**	**106.0**	**(149.9)**	**(4.3)**	**(6,967.6)**
Total net debt	**(5,053.6)**	**(1,785.5)**	**106.0**	**(149.9)**	**(4.3)**	**(6,887.3)**

30. Analysis of changes in net debt continued

Group continued

	2024 Group £m	2023 Group £m
Cash and bank balances	1,319.6	186.8
Derivative financial instruments	(162.1)	(22.2)
Current financial liabilities	(682.8)	(296.0)
Non-current financial liabilities	(10,383.4)	(6,791.9)
Total	**(9,908.7)**	**(6,923.3)**
Less interest accruals included in financial liabilities	93.9	36.0
Total net debt	**(9,814.8)**	**(6,887.3)**

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 two years (Bristol), nine years (London) and 12 years (Edinburgh). The Group is not exposed as a lessee to any future cash outflows which are not reflected in the measurement of lease liabilities.

Information about the accounting valuations relating to these leases is contained within note 12 (Property, plant and equipment) for the right-of-use assets and note 25 (Financial liabilities) for the lease liabilities.

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

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

Maturity analysis – contractual undiscounted cash flows

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

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

Amounts recognised in the income statement

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

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 2024 amounted to £11,881,568 (2023: £9,603,205). Net contributions due at the balance sheet date were £131,848 (2023: £nil).

33. Related parties

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. The Group's corporate and finance structures are set out in the Strategic report on pages 3 to 54.

Related parties comprise Directors (and their close families and service companies), the Motability Foundation Charity ('Motability') and the shareholder banks. Transactions entered into with related parties are in the normal course of business.

The relationship of the Company to Motability Foundation, the Charity, is set out on pages 12, 13 and 41.

Transactions

During the year the Group made a charitable donation of £nil to Motability Foundation, the Charity (2023: £250.0m to Motability Foundation, the Charity).

The funding of the Group and the Company through bank loans is provided by the shareholder banks on commercial terms (see note 9 for details of financing costs on bank loans; £0.4m (2023: £0.4m) of bank charges were also paid during the year). Additionally, total fees of £0.8m (2023: £0.8m) were due to the shareholder banks in proportion to their shareholdings for management services.

During the year the Company received no dividend payment (2023: £nil) from MO Reinsurance Limited and made preference share dividend payments of £0.7m to the shareholder banks (2023: £0.7m).

At 30 September 2024 £1,285.8m of cash and cash equivalents were held with shareholder banks (30 September 2023: £103.8m). During the year the Group received interest payments on these cash deposits totalling £16.3m (2023: £6.6m).

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 £15.3m in relation to bond issuances (2023: £5.8m).

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 £4.0m (2023: net receipt of £3.9m) in respect of interest rate swaps, and a net payment of £26.3m (2023: net payment of £20.5m) in respect of cross-currency swaps.

Subsidiary, parent and ultimate controlling party

The Group is controlled by Motability Operations Group plc, the ultimate parent, which is registered in England and Wales. Details of principal subsidiary undertakings and their registered offices can be found in note 16.

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'.

	2024 £m	2023 £m
Short-term employee benefits	6.4	5.9
Post-employment benefits	0.3	0.2
Other long-term benefits	1.0	0.8
Total	**7.7**	**6.9**

34. Directors' remuneration

During the year there was one Executive Director (2023: one) accruing benefits under a money purchase pension scheme.

	2024	2023
Highest-paid Director		
Salary	£460,076	£438,672
Performance-related payments	£197,888	£184,030
Vesting of deferred bonuses	–	–
Payments in lieu of pension*	£69,011	£65,801
Benefits	£20,699	£21,183
Aggregate emoluments in respect of qualifying services	**£747,674**	**£709,686**
Pension contributions under money purchase pension schemes	–	–
All Directors		
Salary	£1,436,488	£1,372,704
Performance-related payments	£311,446	£322,823
Vesting of deferred bonuses	£273,573	£416,420
Payments in lieu of pension*	£115,114	£114,482
Benefits	£45,819	£48,415
Aggregate emoluments in respect of qualifying services	**£2,182,440**	**£2,274,844**
Pension contributions under money purchase pension schemes	**£10,000**	**£5,000**

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

35. Events after the reporting year

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

36. Funding and financial risk management

Capital risk management

The capital structure of the Group and the Company consists of debt, which includes the borrowings disclosed in note 25, net of cash and cash equivalents and equity capital. For capital risk management purposes the equity capital consists of equity share capital, preference share capital and restricted reserves. The hedging reserve relating to the fair value of swaps is excluded.

The Group's debt funding is provided through the Company via bank loans and debt issuance.

The objective of the Group's capital and reserves management policy is to ensure that the Group maintains adequate levels of equity capital and reserves to:

- maintain the sustainability and longevity of the business through having adequate reserves to withstand the impact of potential macro-economic, industry and Company-specific shock events;
- provide relative stability of pricing and affordability to customers; and
- provide confidence to lenders and credit rating agencies that allows the Group to raise sufficient funding at competitive rates.

As part of the capital and reserves management policy of the Group, any profits that arise in the Group are reinvested back into the Scheme for the benefit of disabled customers. The banks as owners of the Group cannot access reserves (the ordinary shares do not carry any entitlement to dividends).

The Risk Management Committee reviews the capital structure and particularly the level of restricted reserves on a regular basis. The Group operates an Economic Capital methodology to determine the level of capital required in the business. The Group aims to hold capital at a level that is considered at least adequate to ensure that it can withstand potential market or economic shock events.

The Group's debt financing (bank loans) is subject to a customary loan covenant whereby the adjusted Total Group Assets: Total Net Debt ratio is targeted to be no less than 1.25:1. At 30 September 2024 the ratio was 1.57:1, 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.

36. Funding and financial risk management continued

Categories of financial instruments

Carrying value

	2024 Group £m	2023 Group £m	2024 Company £m	2023 Company £m
Non-derivative financial assets measured at amortised cost				
Financial assets at amortised cost	230.4	319.3	–	–
Trade receivables	256.0	146.1	–	78.0
Loans to other Group companies	–	–	11,008.5	7,008.9
Cash and bank balances	1,319.6	186.8	1,236.5	101.0
Total non-derivative financial assets	**1,806.0**	**652.2**	**12,245.0**	**7,187.9**
Non-derivative financial liabilities measured at amortised cost				
Trade and other payables	(337.5)	(289.3)	(934.1)	–
Financial liabilities	(10,865.2)	(7,087.9)	(10,865.2)	(6,960.3)
Total non-derivative financial liabilities	**(11,202.7)**	**(7,377.2)**	**(11,799.3)**	**(6,960.3)**
Net non-derivative financial instruments at amortised cost	**(9,396.7)**	**(6,725.0)**	**445.7**	**227.6**
Derivative financial instruments measured at fair value through other comprehensive income				
Interest rate swaps	(0.4)	4.3	(0.4)	4.3
Cross-currency swaps	(161.6)	(26.5)	(161.6)	(26.5)
Total derivative financial instruments	**(162.0)**	**(22.2)**	**(162.0)**	**(22.2)**
Total financial instruments	**(9,558.7)**	**(6,747.2)**	**283.7**	**205.4**

Fair value of financial instruments

Group

	2024 Carrying value £m	2024 Fair value £m	2023 Carrying value £m	2023 Fair value £m
Cash and bank balances (I)	1,319.6	1,319.6	186.8	186.8
Trade receivables (II)	256.0	256.0	146.1	146.1
Financial assets at amortised cost (III)	230.4	227.3	319.3	308.0
Trade and other payables (II)	(337.5)	(337.5)	(289.3)	(289.3)
Bank overdrafts (IV)	–	–	–	–
Cash in the course of transmission and accrued interest and coupon (II)	(263.3)	(263.3)	(142.5)	(142.5)
Bank loans – current (IV)	–	–	(150.0)	(150.0)
Bank loans – non-current (IV)	(399.0)	(399.0)	(399.0)	(399.0)
Debt issued under the Euro Medium Term Note Programme* (III)	(10,362.3)	(9,902.2)	(6,365.3)	(5,439.6)
Redeemable preference share liabilities (III)	(10.0)	(12.0)	(10.0)	(11.4)
Provision for restoration works (II)	(6.3)	(6.3)	(5.6)	(5.6)
Net non-derivative financial instruments	**(9,572.4)**	**(9,117.4)**	**(6,709.5)**	**(5,796.5)**
Interest rate swap – cash flow hedge	(0.4)	(0.4)	4.3	4.3
Cross-currency swap – cash flow hedge	(161.6)	(161.6)	(26.5)	(26.5)
Total financial instruments requiring fair value disclosure	**(9,734.4)**	**(9,279.4)**	**(6,731.7)**	**(5,818.7)**
Right-of-use asset lease liabilities (V)	(25.2)	n/a	(15.5)	n/a
Total	**(9,759.6)**	**(9,279.4)**	**(6,747.2)**	**(5,818.7)**

* 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. Funding and financial risk management continued

36. Funding and financial risk management continued

Fair value of financial instruments continued

Company

	2024 Carrying value £m	2024 Fair value £m	2023 Carrying value £m	2023 Fair value £m
Cash and bank balances (I)	1,236.5	1,236.5	101.0	101.0
Loans to other Group companies (IV)	11,008.5	11,008.5	7,008.9	7,008.9
Financial assets at amortised cost (III)	–	–	–	–
Trade receivables (II)	–	–	78.0	78.0
Trade and other payables (II)	(934.1)	(934.1)	–	–
Cash in the course of transmission and accrued interest and coupon (II)	(93.8)	(93.8)	(36.0)	(36.0)
Bank loans – current (IV)	–	–	(150.0)	(150.0)
Bank loans – non-current (IV)	(399.0)	(399.0)	(399.0)	(399.0)
Debt issued under the Euro Medium Term Note Programme* (III)	(10,362.3)	(9,902.2)	(6,365.3)	(5,439.6)
Redeemable preference share liabilities (III)	(10.0)	(12.0)	(10.0)	(11.4)
Net non-derivative financial instruments	**445.8**	**903.9**	**227.6**	**1,151.9**
Interest rate swap – cash flow hedge	(0.4)	(0.4)	4.3	4.3
Cross-currency swap – cash flow hedge	(161.6)	(161.6)	(26.5)	(26.5)
Total	**283.8**	**741.9**	**205.4**	**1,129.7**

* 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.

The fair value of financial instruments traded in active markets (debt issued under the EMTN Programme) is based on quoted market prices at the balance sheet date. The fair value of financial instruments that are not traded in active markets is determined by using valuation techniques. The following methods and assumptions were used to estimate the fair values of the financial instruments for disclosure purposes:

- the carrying value of cash and cash equivalents approximates to the carrying amount due to its short-term nature;
- the carrying values less impairment provision of trade and other receivables and payables are assumed to approximate to their fair values due to the short-term nature of the trade receivables and payables;
- the fair value of preference shares for disclosure purposes is estimated by discounting the cash flows using market data at the balance sheet date;
- the fair value of debt issued under the Euro Medium Term Note Programme for disclosure purposes is based on market data at the balance sheet date; and
- the fair value of swaps is determined by discounting future cash flows using current market data at the balance sheet date.

IFRS 13 requires that the classification of financial instruments at fair value be determined by reference to the source of inputs, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2)
- inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs) (Level 3).

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

Group

2024	Level 1 £m	Level 2 £m	Total £m
Non-derivative financial instruments			
Financial assets at amortised cost	**230.4**	**–**	**230.5**
Financial liabilities	**(9,902.2)**	**(12.0)**	**(9,914.2)**
	(9,671.8)	**(12.0)**	**(9,683.7)**
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)**	**(9,845.7)**

36. Funding and financial risk management continued

Fair value of financial instruments continued

Group

2023	Level 1 £m	Level 2 £m	Total £m
Non-derivative financial instruments			
Financial assets at amortised cost	308.0	–	308.0
Financial liabilities	(5,439.6)	(11.4)	(5,451.0)
	(5,131.6)	(11.4)	(5,143.0)
Derivative financial instruments			
Interest rate swaps	–	4.3	4.3
Cross-currency swaps	–	(26.5)	(26.5)
	–	(22.2)	(22.2)
Total	**(5,131.6)**	**(33.6)**	**(5,165.2)**

Company

2024	Level 1 £m	Level 2 £m	Total £m
Non-derivative financial instruments			
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

2023	Level 1 £m	Level 2 £m	Total £m
Non-derivative financial liabilities			
Financial liabilities	(5,439.6)	(11.4)	(5,451.0)
	(5,439.6)	(11.4)	(5,451.0)
Derivative financial instruments			
Interest rate swaps	–	4.3	4.3
Cross-currency swaps	–	(26.5)	(26.5)
	–	(22.2)	(22.2)
Total	**(5,439.6)**	**(33.6)**	**(5,473.2)**

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

The fair values of cash and bank balances, trade receivables and payables, bank loans and overdrafts, and cash in the course of transmission are considered to be not materially different from their book values. Market inputs to these values are considered, but because all of the assets mature within three months of the year end, the payables, overdrafts and cash in the course of transmission are also short term in nature, and the interest rates charged on the bank loans are reset to market rates on a monthly basis, minimal difference arises. The nature and characteristics of the Level 2 fair valued items, i.e. issued debt, preference shares and swaps, are as described in note 2 and note 25. As these valuation exercises are not wholly market based they are considered to be Level 2 measurements. Financial assets held at amortised cost are investments held by MORL as described in note 2. These have quoted prices and so are classified as Level 1.

Financial risk management objectives

The Group's funding and financial risk is overseen and managed by the Treasury Operations Group and the Risk Management Committee. The Group's treasury function, operating under the control of the Risk Management Committee, monitors and manages the financial risks relating to the funding and treasury operations, as well as co-ordinating access to the financial markets. The treasury policy of the Group and the principles set out by the policy are endorsed by the Board and applied through delegated authority by the Chief Executive Officer operating through the Executive Committee and the Risk Management Committee. The treasury policy and treasury control framework are overseen by the Audit Committee.

The risks of the Group arising from its funding activities include interest rate risk, foreign exchange risk, credit risk and liquidity risk. The Group's activities expose it to the financial risks of changes in interest rates. The Group enters into interest rate swaps and issues fixed-rate bonds to mitigate the risk of movements in interest rates. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Group's debt funding is provided through the Company via bank loans and capital markets issuance. As with the capital risk management, the overall funding and financial risk management of the Company is integrated with the funding and financial risk management of the Group and is not managed separately. As with the Group, the Company's operations expose it to a variety of financial risks that include interest rate risk, credit risk and liquidity risk. The Company's exposure to these risks is disclosed separately in the related sections below.

Interest rate risk management

The Group's revenues arise primarily from operating lease rentals and proceeds from disposal of operating lease assets – typically three years for an operating lease contract. Apart from fixed rate bonds issued under the EMTN Programme, the Group and the Company's borrowings are subject to floating interest rates. Borrowings arranged at floating rates of interest expose the Group and Company to cash flow interest rate risk, whereas those arranged at fixed rates of interest expose the Group and Company to fair value interest rate risk.

The Group and the Company seek to minimise cash flow interest rate risk by entering into fixed interest rate swaps to hedge floating rate borrowings. Interest rate swaps are employed to fix the interest rate profile of the borrowings and align these borrowings to the repayment profile of the assets. To the extent that borrowings at the balance sheet date will be used to fund new assets purchased during the year, the rentals will be set to reflect interest rates at the time the asset will be purchased. The Group's policy is that at least 90% of the total borrowings should be fixed in nature except where specific short-term dispensations are permitted (and commensurate with the overall funding policy). The Group only hedges the variable rate term borrowings; variable rate working capital facilities are not hedged.

Floating rate debt substantially swapped into fixed interest rates has a carrying value as at 30 September 2024 of £399.0 (2023: £399.0m with £150m drawn on MO Group's RCF, unhedged).

Notes issued subject to fixed interest rates have a carrying value as at 30 September 2024 of £9,946.1m (2023: £6,365.3m).

The Group and the Company have two interest rate swaps of £200m and £200m maturing 14 February 2025 and 2026 (2023: two interest rate swaps of £200m and £200m maturing 14 February 2024 and 2025). Under the swaps, the Group and the Company pay fixed rates of 3.901% and 4.433%, respectively, (2023: 4.190% and 3.901, respectively).

36. Funding and financial risk management continued

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 result decrease of £nil as at 30 September 2024 (2023: £1.5m). 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.

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.

	2024 Average contract fixed interest rate %	2023 Average contract fixed interest rate %	2024 Nominal principal amount £m	2023 Nominal principal amount £m	2024 Fair value £m	2023 Fair value £m
No later than one year	3.9	4.2	200.0	200.0	0.6	0.8
Later than one year and no later than two years	4.4	3.9	200.0	200.0	(1.0)	3.5
Later than two years and no later than five years	–	–	–	–	–	–
Later than five years	–	–	–	–	–	–
Total			**400.0**	**400.0**	**(0.4)**	**4.3**

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.

	2024 Contract fixed GBP interest rate %	2023 Contract fixed GBP interest rate %	2024 Nominal principal amount £m	2023 Nominal principal amount £m	2024 Fair value £m	2023 Fair value £m
No later than one year	2.1	–	433.8	–	(16.5)	–
Later than one year and no later than two years	2.0	2.1	538.2	433.8	(35.2)	1.7
Later than two years and no later than five years	3.4	1.5	1,045.6	983.2	(31.2)	(18.4)
Later than five years	5.4	4.7	2,990.9	441.9	(78.6)	(9.8)
Total			**5,008.5**	**1,858.9**	**(161.5)**	**(26.5)**

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.

36. Funding and financial risk management continued

Credit risk management

Credit risk is managed using an established process encompassing credit limits, credit approvals, control of exposures and the monitoring and reporting of exposures. Credit risk may arise from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as from credit exposures to customers.

The Group's principal source of income is the Department for Work and Pensions, through the assigned allowances received by customers of the Group, and therefore the credit risk is considered to be very low. A small residual credit risk arises from miscellaneous customer billings and monies due from dealers, auction houses and vehicle manufacturers. Group management regularly carries out credit assessments of the limits set for auction houses, manufacturers and dealers.

For banks and financial institutions, only independently rated institutions with a minimum 'A' rating are accepted. All new proposed counterparties are subject to internal credit approval and 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 Asset & Liability Management Committee.

The Group's credit risk policy includes limits on large exposures to mitigate any concentration risk in respect of its investments. Credit risk on these balances, and the interest accrued thereon, is considered to be minimal.

For the year under review the following figures represent the Group's total counterparty credit limit and the balance as at 30 September 2024 and 2023, and the highest limit and utilisation during the year attributable to banks/financial institutions.

The counterparty credit limit as at 30 September was £2,490.0m (2023: £2,330.0) and its utilisation £1,317.0m (2023: £175.7m). The maximum counterparty credit limit for the calendar year was £3,090.0m (2023: £2,440.0) and its utilisation £2,488.9m (2023: £1,224.1m)

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. The maximum concentration of credit risk on a worst-case basis to any one reinsurer would be £26,959,800.

Cash and bank balances are held with highly rated UK banks; trade and insurance receivables are not concentrated with any particular customers; other receivables are predominantly due from HMRC (UK Government).

Liquidity risk management

The Group and the Company are exposed to changes in market conditions which in turn, and over time, could affect the provision of debt available to the Group.

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The treasury policy has an appropriate liquidity risk management framework for the management of the Group and the Company's short, medium and long-term funding.

The Group policy for managing liquidity risk is to maintain undrawn headroom on its committed banking facilities of at least 20% of borrowings plus one year's projected funding growth. The Group has a five-year bank term loan with four years until maturity and a five-year revolving credit facility with four years until maturity. The Group has further increased the average maturity profile of the debt by issuing fixed-rate bonds. The bonds, with average weighted maturities of 10.6 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	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)**

36. Funding and financial risk management continued

Liquidity risk management continued

Group

	Weighted average interest rate %	Under 1 year £m	Between 1-3 years £m	Between 3-5 years £m	Over 5 years £m	2023 Total £m
Bank loans – variable interest rate	5.8	(175.4)	(47.1)	(444.0)	–	(666.5)
Debt issued under the Euro Medium Term Note Programme – fixed interest rate	3.2	(204.9)	(1,662.5)	(1,075.1)	(5,892.3)	(8,834.8)
Cash in the course of transmission	0.0	(106.5)	–	–	–	(106.5)
Bank overdrafts and short-term borrowings	5.8	(0.4)	–	–	–	(0.4)
Redeemable preference shares – fixed interest rate*	7.0	(0.7)	(1.4)	(1.4)	(11.3)	(14.8)
Provision for restoration works		–	–	**(2.6)**	(3.0)	(5.6)
Trade and other payables – non-interest bearing		(289.3)	–	–	–	(289.3)
Total		**(777.2)**	**(1,711.0)**	**(1,523.1)**	**(5,906.6)**	**(9,917.9)**

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)
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)**

Company

	Weighted average interest rate %	Under 1 year £m	Between 1-3 years £m	Between 3-5 years £m	Over 5 years £m	2023 Total £m
Bank loans – variable interest rate	5.8	(175.4)	(47.1)	(444.0)	–	(666.5)
Debt issued under the Euro Medium Term Note Programme – fixed interest rate	3.2	(204.9)	(1,662.5)	(1,075.1)	(5,892.3)	(8,834.8)
Redeemable preference shares – fixed interest rate*	7.0	(0.7)	(1.4)	(1.4)	(11.3)	(14.8)
Trade and other payables – non-interest bearing	0.0	–	–	–	–	–
Total		**(381.0)**	**(1,711.0)**	**(1,520.5)**	**(5,903.6)**	**(9,516.1)**

* 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.

36. Funding and financial risk management continued

Liquidity risk management continued

The following tables detail the contractual maturity of the Group and the Company's interest rate and cross-currency swap liabilities. The cash flows are settled on a net basis.

The tables have been drawn up based on the undiscounted amounts of the financial liabilities based on the earliest dates on which the Group and the Company can be required to discharge those liabilities.

Group

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)**

Group

2023	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	4.0	3.8	0.9	–	–	4.7
Cross-currency swaps	2.4	(22.6)	(30.4)	(19.5)	(16.4)	(88.9)
Total		**(18.8)**	**(29.5)**	**(19.5)**	**(16.4)**	**(84.2)**

Company

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

2023	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	4.0	3.8	0.9	–	–	4.7
Cross-currency swaps	2.4	(22.6)	(30.4)	(19.5)	(16.4)	(88.9)
Total		**(18.8)**	**(29.5)**	**(19.5)**	**(16.4)**	**(84.2)**

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

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 bank balances– non-interest bearing	–	1,319.6	–	–	–	1,319.6
Total		**1,668.6**	**105.0**	**23.0**	**8.9**	**1,805.5**

Group

2023	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	103.6	172.4	39.3	23.5	338.8
Trade receivables – non-interest bearing	–	146.1	–	–	–	146.1
Cash and bank balances – non-interest bearing	–	186.8	–	–	–	186.8
Total		**436.5**	**172.4**	**39.3**	**23.5**	**671.7**

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**

Company

2023	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	–	77.4	–	–	–	77.4
Loans to other Group companies	3.8	276.7	594.8	634.5	7,677.4	9,183.4
Total		**354.1**	**594.8**	**634.5**	**7,677.4**	**9,260.8**

Appendix

Glossary

ADP	Adult Disability Payment. Always use the full name if there's space, not 'ADP'
AFIP	Armed Forces Independence Payment
AP	Advance Payment or Accounts Payable
APP	Application
APPT	Appointee
APST	Application and Partner Support Team
BACS	Bankers' Automated Clearing Services: a UK scheme for the electronic processing of financial transactions
BAM	Business Activity Monitoring system
BAR	Business Area Resolution (for an escalated complaint)
BDT	Business Development Team
BEV	Battery Electric Vehicle
BS	Business Systems
CA	Customer Account
CS	Customer Services
CAP	Car pricing index: the residual values modifier, set by us
Cap. Ex.	Capital expenditure
CAT	Complaints and Appeals Team
CC	Company car
CDP	Child Disability Payment. Always use the full name if there's space, not 'CDP'
CDS	Complex Driving Solution (used to be SVFD)
CDT	Customer Development Team
CED	Contract end date, also called EOC (end of contract)
CFO	Chief Finance Officer
CH	Contract hire
CM / CMT	Continuous mobility / Continuous Mobility Team
CMC	Customer Management Committee
Corry	Correspondence
COO	Chief Operating Officer
CSC	Customer Support Centre
CSI	Customer Satisfaction Index
CTI	Computer telephony integration
DD or D/D	Direct Debit
DL / DLG	Direct Line / Direct Line Group
DLA	Disability Living Allowance
DLM	Direct Line Mobility
Dlr	Dealer
DPA	Data Protection Act
DWP	Department for Work and Pensions: the source of most Scheme customer payments
ERM	Enterprise risk management
Est	Estate
ET	Early termination (of a contract)
FC	Financial Control or further car
FF	Family Fund
FFMD	Family Fund Mobility Support
HAV	Heavily-adapted vehicle
HHT	Handheld terminal
HLD	High-level design
HPI	Hire purchase interest
HRMC	Higher Rate Mobility Component
ICE	Internal combustion engine
KPI	Key Performance Indicator
LE	Lease extension
LFY	Last financial year
MFL Direct	MFL's website: used to sell vehicles
MI	Management information
MO	Motability Operations
N/A	Not applicable
NI	Northern Ireland
NINO	National Insurance Number
NVP	New Vehicle Payment
OTR	On the road
PIP	Personal Independence Payment
PWC	Powered wheelchair
PWS / PWSS	Powered wheelchairs and scooters Scheme
Refurb	Refurbishment
RV	Residual Value
SLA	Service level agreement

SLT	Senior Leadership Team
SME	Subject Matter Expert
SP	Scheme partner
SSS	Social Security Scotland – the source of Scheme customer payments in Scotland
STLE	Short-term lease extension
T&Cs	Terms and conditions
TA	Terminations Adviser
VA	Veterans Agency
VAT	Value Added Tax
VRB	Volume-related bonus
VRM	Vehicle Remarketing
WAV	Wheelchair Accessible Vehicle
WEF	With effect from
WPMS	War Pensioners Mobility Supplement

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