



# Motability

The leading car scheme for disabled people

Annual Accounts 2006/07

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# Legal and Administrative Information

Motability is a charity, incorporated by Royal Charter, registered under the Charities Act 1993. Registered Charity No. 299745.

## Chief Patron

Her Majesty The Queen

## Patrons

The Rt Hon Tony Blair MP  
The Rt Hon David Cameron MP  
The Rt Hon Sir Menzies Campbell CBE QC MP  
Baroness Hollis  
The Rt Hon John Hutton MP  
The Rt Hon Lord Jenkin  
Gillian Merron MP  
The Rt Hon Lord Morris of Manchester AO QSO  
The Rt Hon Lord Newton OBE  
The Rt Hon Baroness Thatcher LG OM FRS

## Life Vice-Presidents

Allan Beard CB CBE  
Roly Stafford OBE  
George Wilson CBE

## Governors

The Governors, who are the Trustees of the Charity, serving during the year were as follows:

**Chairman** The Lord Sterling of Plaistow GCVO CBE

**Vice-Chairman** Gerald Acher CBE LVO

**Hon. Treasurer** Richard Bennison

Brian Carte TD

Sir Trevor Chinn CVO

Robin Corner (resigned 19/9/06)

Christopher Lendrum CBE

Joanna Lewis

Sir Bert Massie CBE

Kate Nash OBE (appointed 27/6/06)

Sir John Quinton

Paul Spencer

Professor Adrian V Stokes OBE

## Other Members

Brendan Barber	Lord Hamilton DL
Sir Peter Cazalet	Joseph Hennessy OBE
Jerome Church MBE	Raymond King
Robin Corner	Edward Lester
Morigue Cornwell MBE	Baroness Masham DL
Christopher E Fay CBE	Hon Sara Morrison
Sam Gallop CBE	Noel Muddiman CBE
Tim Gooch	Michael Templeman
The Rt Hon William Hague MP	

## Key Executive Staff

**Director** Don Brereton CB

**Deputy Director and Oversight and Strategy**

**Director** Declan O'Mahony

**Finance and Support Services Director** Gary Spilman

**Fundraising and Marketing Director** Hazel Gotfraind

**Grants and Technical Director** Paul Gambrell

**General Manager Human Resources** Barbara Hannant

## Motability

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Roydon Road

Harlow

Essex

CM19 5PX

Tel: 01279 635999

Customer Helpline: 0845 456 4566

Website: [www.motability.co.uk](http://www.motability.co.uk)

Registered Charity in England and Wales

## Auditors

Deloitte & Touche LLP

3 Victoria Square

Victoria Street

St Albans

Hertfordshire

AL1 3TF

## Solicitors

Lawrence Graham LLP

4 More London

Riverside

London

SE1 2AU

## Bankers

Barclays Bank plc

Harlow Business Centre

Harlow

Essex

CM20 1ET

# Governors' Report for the year ended 31 March 2007

The Governors present the audited accounts for the year ended 31 March 2007 under the Charities Act 1993, together with their summary report on governance, objectives and achievements.

The accounts comply with the requirements of the Act, the Royal Charter and the Statement of Recommended Practice (SORP) 2005.

## Reference and Administrative Information

Motability is a registered charity (No. 299745) incorporated by Royal Charter.

The Chief Patron, Patrons, Life Vice-Presidents, Members, the present Governors and any past Governors who served during the year are shown on page 4, together with details of the registered office and the senior executive staff and professional advisers.

An overview of the Motability Scheme and the role of the Charity are explained briefly on page 38 and in more detail in the Guide to the Motability Scheme. This is available on our website [www.motability.co.uk](http://www.motability.co.uk) or by calling **01279 632227**.

## Structure, Governance and Management

The Charity is governed by its Royal Charter granted on 18 May 1988.

The Royal Charter provides for Members to elect the Board of Governors, which is then responsible for the overall governance of the Charity and the oversight of the Motability Scheme. Governors are elected on the basis of their professional competence and specialist skills. One third of the Governors must retire each year and may offer themselves for re-election.

Governors meet at least five times per year. These meetings include four quarterly Board meetings and the AGM. New Governors receive an induction pack containing relevant information about the Charity and are briefed by the executive team.

The Board delegates responsibility for the implementation of policy and the review of performance to a number of Committees, as set out below. The Committees are required to meet prior to Board meetings and formally report to the Board, so that recommendations for changes in policy can be authorised by the full Board.

### Audit Committee

The Audit Committee comprises five Governors who are independent of management and free of any relationship that in the opinion of the Board would interfere with the exercise of independent judgement as members of the Audit Committee. The Audit Committee is chaired by the Honorary Treasurer and is responsible for the oversight of Risk Assessment, Risk Management and Internal Control. The Committee is also charged with reviewing the performance of both internal and external audit and for making recommendations to the Board in respect of the appointment of external auditors. The Committee also advises the Board on the appropriate level of free reserves and any significant change in investment strategy.

### Scheme Oversight Committee

The Scheme Oversight Committee comprises seven Governors who have appropriate skills and experience in relation to the oversight of the Motability Scheme. The Committee is chaired by the Vice-Chairman and is responsible for reviewing the performance of the car and powered wheelchair and scooter schemes against agreed key performance indicators, which set out to monitor customer service levels, value for money, affordability and reliability of service. The Committee also leads the development of the Motability Scheme and the consideration of operational and financial risks to ensure continuity of service to customers.

### Grants Committee

The Grants Committee comprises two Governors with disability expertise. The Charity's grants policy has been revised during the year as a set of principles illustrated by an accompanying set of 'frequently asked questions and answers'.

## Governors' Report Continued

The Committee is also responsible for advising the Department for Work and Pensions (DWP) in respect of the policy applicable to those funds administered on their behalf.

### Fundraising

Income to support charitable grant making is predominantly raised by the fundraising team. All non-charitable trading activities to raise funds are undertaken by Motability Enterprises Ltd, a wholly owned subsidiary. During the financial year the subsidiary made a taxable operating profit of £703,000 (£682,000 in 2006) of which £703,000 (£677,000 in 2006) was donated to the Charity via Gift Aid. A summary of trading results is shown in Note 2.

During the year Motability received income amounting to £2,614,000 (£1,830,000 in 2006) from the Motability Tenth Anniversary Trust.

In addition to supporting charitable grants, the Trust made grants of £700,000 to address the increase in applications for drive from wheelchair solutions provided by the Government's Specialised Vehicle Fund and £104,000 in support of projects to improve the assessment of mobility solutions.

The Motability Tenth Anniversary Trust is an independent charity (Registered Charity No. 328160) set up to provide long-term support for Motability. Trustees are appointed by the Secretary of State for the DWP, Motability and Motability Operations.

### The Director

The Director is responsible for the day-to-day management of the Charity's affairs and the relationships with stakeholders, including the DWP and the car and wheelchair service providers. The Director is supported by a management team to ensure the implementation of policies agreed by the Governors.

### Statement of Trustees' Responsibilities and Corporate Governance

The Governors, as Trustees, are responsible for the preparation of the financial statements, which give a true and fair view of the state of affairs of the Charity and the Group, as at the end of the financial year, and of the net movement in funds of the Group for the period. In

preparing these financial statements, the Governors confirm that:

- suitable accounting policies have been used and applied consistently.
- reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 March 2007.
- applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.
- the Annual Accounts have been prepared in accordance with the Statement of Recommended Practice on Accounting and Reporting by Charities (SORP 2005) issued by the Charity Commission in March 2005.

The Governors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and which enable them to ensure that the financial statements comply with the Charities Act 1993. They are also responsible for the system of internal control, for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities and to provide reasonable assurance that:

- the Charity is operating efficiently and effectively.
- all assets are safeguarded against unauthorised use or loss and are properly applied.
- proper records are maintained and financial information used within the Charity or in publications is reliable.
- the Charity complies with relevant laws and regulations.

The systems of internal control are designed to provide reasonable but not absolute assurance against material misstatement or loss. They include:

- a strategic plan and annual budget approved by the Governors.

- regular consideration by the Governors of financial results, variations from budget, non-financial performance indicators and benchmarking reviews.
- delegation of day-to-day management authority and segregation of duties.
- identification and management of risks.

The requirements of the Charity Commission guidelines on Internal Controls (CC8) have been followed in all material respects.

The remuneration of the Director and senior management of the Charity is reviewed annually by the Governors, with advice from independent consultants.

### Reserves Policy

#### Restricted reserves

Restricted reserves represent unspent donations which are to be applied for specific purposes as required by the donor, the net book value of Fixed Assets, future administration costs and funds carried forward to future years by agreement with the DWP.

As a result of a change in accounting policy for lease levy income, explained in more detail on page 13, future administration costs are now funded from restricted reserves rather than deferred income.

#### Unrestricted reserves

Unrestricted reserves are held to ensure that the Charity can maintain the current level of grant commitments should there be a temporary reduction in income. The policy is to ensure that there are approximately two months reserves at any time to pay current levels of grant commitments.

Unrestricted reserves for the Group at March 2007 totalled £565,000 (£400,000 in 2006). This represents 2.3 months charitable expenditure during the year, which is in line with policy.

### Risk Management

The Governors have reviewed the formal risk management process to assess business risks and implement risk management strategies.

The Audit Committee examines the effectiveness of the systems of internal control in mitigating risks on behalf of the Governors and approves the Internal Audit Programme. This is achieved through reviews of:

- the reports arising from the audit work carried out by the outsourced Internal Audit function.
- the nature and scope of the external audit and any matters raised by external Auditors for the attention of management. Any significant findings or identified risks are examined so that appropriate action can be taken.
- the risk register and actions taken to reduce the likelihood and impact arising from risk scenarios.
- the control reports specifically requested by the Committee.

The Committee has included procedures for reporting failings immediately to the appropriate levels of management and to the Board, together with details of corrective action being undertaken.

## Objects, Objectives and Principal Activities of the Charity

The Charity was set up on the initiative of the Government, with the object to provide vehicles and associated services to disabled people to enable them to achieve enhanced mobility. In particular, it helps disabled people receiving the Higher Rate Mobility Component of the Disability Living Allowance or the War Pensioners' Mobility Supplement to obtain the use of a car. To achieve these objects, our principal activities are as follows:

### Motability Funded Grant Making

- raise funds and provide advice and financial assistance.
- undertake research and promote standards for specialised vehicles and for the supply and fitting of adaptations.

### DWP Funded Grant Making

- administer the Government's Specialised Vehicles Fund (SVF) which includes the provision of financial assistance for customers travelling in wheelchairs.

## Governors' Report Continued

### Scheme Operations/Communications

- direct and oversee the Motability Scheme, described on page 38.
- improve awareness of the benefits of the Scheme to non-customers through targeted communications.

### Highlights of 2006/07

#### Number of cars, wheelchairs and scooters supplied

168,870 cars and 2,909 powered wheelchairs and scooters were supplied during the year. On 31 March 2007, the Scheme had 460,149 customers, an increase of 26,001 (6%) on March 2006.

#### Two million Motability Car Scheme vehicles

On 6 October 2006, HRH Princess Alexandra, joined Lord Sterling of Plaistow GCV O CBE, Chairman of Motability, to hand over the keys of six new cars to Motability customers at the Royal Mews. The presentations marked a milestone in the Scheme's history, having provided two million cars to disabled people over the last 28 years.

#### Scheme enhancements

A number of improvements were made to the Scheme including a wider range of automatic cars and wheelchair accessible vehicles with no advance payment, popular adaptations, such as hand controls, available at no additional cost, no more formal inspections at the end of lease and further developments to the online searchable price guide.

#### Financial help

Motability awarded grants totalling £13 million to help 5,250 people with their mobility needs. This included £9.1 million of government funded grants and our own fundraising activities provided £1.3 million. The Tenth Anniversary Trust also contributed £2.5 million for grants. The introduction of new processes and systems is also ensuring that customers needing financial help are supported with the minimum paperwork and delay.

#### Scheme awareness

Motability continued with its awareness campaigns to help ensure that all eligible disabled people are made aware of the Scheme. Initiatives included an information

leaflet to all recipients of the Higher Rate Mobility Component of the Disability Living Allowance, and, for the first time, to eligible War Pensioners; the distribution of leaflets and information to healthcare professionals and advisors; attendance at exhibitions and conferences throughout the UK; and support for dealers promoting the Scheme in their local areas. A new initiative this year was the production of an information DVD, 'The Secret's Out', fronted by actress and disability rights campaigner, Julie Fernandez, which can also be viewed or downloaded from the Motability website. It is proving popular with both eligible non-customers and professionals alike.

#### New premises

The new premises, occupied by Motability at the end of October 2006, gave an opportunity to remount our Royal Charter in the reception area and for Governors and staff to celebrate the move in December.

### Report on Motability Scheme Performance

Motability publishes a separate detailed Annual Report on its aims, objectives and performance, which illustrates how the Scheme improves the lives of individual customers and their families.

### Car Scheme

#### Achievements during 2006/07

Building on the many changes already introduced by Motability Operations during the previous four years, further improvements were made in 2006/07, including the specific aims we set out in last year's Annual Report:

- We have maintained high levels of customer satisfaction and loyalty through 2006/07. This reflects first-class service and a wide selection of popular cars including newly launched models, automatics and wheelchair accessible vehicles at affordable prices.
- We have continued to invest in increasing awareness and understanding of the Scheme so that as many disabled people as possible can make an informed choice about their own mobility solutions. At a national level, we mailed an information leaflet to recipients of the relevant mobility allowances and produced a short

DVD to promote the Scheme to potential customers and advisors. At a local level, we encouraged dealers to work with local media and groups in their own areas. Improved communications have raised awareness of the Scheme, contributing to an increase in customer numbers to 453,171 in March 2007 from 427,605 in March 2006.

- In order to reduce the additional costs experienced by customers requiring more complex mobility solutions, we made major changes to prices in October 2006. Many popular adaptations, such as push-pull hand controls and left-foot accelerators, are now available at no additional cost, with more extensive adaptations at affordable prices. In addition, improved pricing is available on a range of automatic cars and wheelchair accessible vehicles (WAVs), with many available with no advance payment.
- The online searchable price guide that was introduced in 2005/06 was improved further with the inclusion of data on the accessibility features of each model. The site has also been enhanced by the inclusion of reviews and images of cars available on the Scheme.
- End of contract changes were introduced to further improve the process of returning cars at the end of leases with no more formal inspections and a clearer wear and tear policy.
- The network of dealers expanded to over 4,000 dealers with further manufacturers also joining the Scheme, bringing the total number to 33 in March 2007. The market share of manufacturers available on the Scheme at March 2007 represents 97% of the UK market.
- Green issues will become increasingly important to us. As a first step, we have increased the amount of information being provided to customers so that they can take environmental issues into consideration when choosing and using their cars. For example, the January 2007 price guide included a new section highlighting cars with emissions of less than 120g/km, resulting in a 25% year on year increase in customers choosing such cars on the Scheme.

## Performance during 2006/07

### Customer satisfaction

At the end of 2006/07, the three headline measures of customer satisfaction remained above our objectives, reflecting customers' appreciation of the lower prices and improved services being provided by Motability Operations. The percentage of customers renewing at the end of their leases also increased from 86% in 2005/06 to 92% in 2006/07.

#### *Customer Satisfaction and Pricing Performance Indicators*

	2005/06 Actual	2006/07 Actual	Scheme Objective
Overall satisfaction with the Scheme	96%	96%	92%
Customers who would recommend the Scheme	97%	96%	92%
Customer intention to renew their leases	96%	96%	92%
Actual customer renewal at end of lease	86%	92%	78%

### Value for money

The Contract Hire Scheme continued to offer excellent value for money. Independent analysis indicates that prices for the top 50 models on the Scheme are 29% cheaper than the average of a number of other major contract hire companies for the same models.

### Affordability

Over the last four years, Motability Operations has been able to offer significantly lower prices to Scheme customers. These lower prices have been sustained as a result of good performance in the sale of used cars and a continued focus on managing administrative and other costs within industry benchmarks.

In January 2006, we changed our affordability performance indicators to measure the number of models (rather than each variant of a model) available with no advance payment in a number of vehicle categories. As at March 2007, there were a total of 79 models available, an increase of 21 models compared with March 2006. There were 21 automatics and 33 manuals for the small car category and 9 automatics and 16 manuals for the small family and MPV category.

## Governors' Report Continued

We also introduced a performance indicator to measure the number of vehicles in which a wheelchair user can travel as a passenger with an advance payment of £500 or less. As at March 2007, there were 50 model variants available, an increase of 42 compared to March 2006.

### Affordability Performance Indicators

	2005/06 Actual	2006/07 Actual	Scheme Objective
Number of models available with no advance payment	58	79	51
Number of WAV model variants (passenger) with an advance payment of £500 or less	8	50	5

### Continuous mobility

Motability Operations have maintained a strong focus on ensuring that the customer is kept mobile whenever possible, both between leases and within the life of each lease. Gaps at the end of lease have been virtually eliminated over recent years and, for gaps during the contract caused by accident or theft, Motability Operations also help customers to become mobile again as quickly as possible with courtesy cars and a range of other solutions. The Scheme also provides a comprehensive breakdown assistance service for contract hire cars and monitors the performance of our service provider, RAC. During 2006/07, RAC continued to deliver an excellent performance for our customers although average time to respond did slip slightly from an average of 38 to 40 minutes.

### Continuous Mobility Performance Indicators

	2005/06 Actual	2006/07 Actual	Scheme Objective
Customers taking delivery of new car on same day as handing back old car	99.9%	100%	98%
Roadside assistance - average response time	38 min	40 min	42 min

### Risk management

The Scheme is exposed to a number of risks, including the uncertain value of cars at the end of their three year leases. The Scheme Oversight Committee monitors these operational and financial risks on an ongoing basis within their quarterly meetings to ensure that the Scheme manages these risks appropriately and is suitably financed to ensure the provision of a continuous and affordable service to customers.

### Aims for 2007/08

- We will maintain the current high levels of customer satisfaction and loyalty through 2007/08 by continuing to offer affordable prices and first class service to all customers, however simple or complex their mobility needs.
- We will continue to invest in improved awareness and understanding of the Scheme among those disabled people who would be able to use its services.
- We will provide customers with improved information on environmental issues associated with their motoring choices so that they can maintain their mobility while minimising their environmental impact.

### Powered Wheelchair and Scooter Scheme Achievements during 2006/07

route2mobility Limited (r2m) increased customer numbers to 6,978 in March 2007 from 6,143 in March 2006. Overall customer satisfaction fell back slightly during the year from 89% to 87%, although customers' rating of their product suitability did improve over the period. More detailed research highlighted a need for more consistent aftersales support to be provided to customers, ensuring that they are not left without the use of their scooter or powered wheelchair wherever possible. r2m maintained their performance in reducing prices by at least 20% of RRP for scooters and 10% for powered wheelchairs. For scooters, the average discount from RRP was 22% and 13% for powered wheelchairs. The contract hire product, introduced in 2005/06 and including servicing, maintenance, insurance and breakdown cover in a single peace-of-mind package, has been well received by customers and now accounts for close to 50% of new customer agreements.

In March 2007, Jamie Borwick, Chairman of r2m, substantially increased his investment into the company in order to remove the existing constraints on the business and allow it to develop and expand. At the same time, Michael McRedmond took over as the Chief Executive Officer. We look forward to working with the new team and developing this part of the Scheme to its full potential.

#### Customer Satisfaction and Pricing Performance Indicators

	2005/06 Actual	2006/07 Actual	Scheme Objective
Overall satisfaction with the Scheme	89%	87%	95%
Customers' rating of product suitability	93%	95%	95%
Average discount from manufacturers' RRP – scooters	22%	22%	20%
Average discount from manufacturers' RRP – powered wheelchairs	11%	13%	10%

#### Aims for 2007/08

- We will seek to achieve consistently high levels of customer satisfaction with the sales and aftersales process of the Scheme.
- In particular, we will seek improvements in the quality and consistency of the aftersales support provided by dealers to Scheme customers.
- We will look for further opportunities to reduce the prices paid by customers by securing the best deals possible on products, insurance and servicing.

## Report on Grants and Technical

#### Achievements for 2006/07

##### Develop and implement new grants application process

Customers are now able to apply for a grant by telephone and internet applications will be possible later in the year following the implementation of a new IT system. Application times have been reduced through the

adoption of new methods of working and the new IT system will enable further reductions. A number of changes have also been made to improve the service offered to grant assisted customers. These are focused on involving the customer more fully in the selection of a suitable vehicle. Whilst some of these changes are already in place the new IT system will enable us to complete this work.

##### Develop a specification for highly adapted drive from Wheelchair Accessible Vehicles

The specification has been successfully developed in consultation with the conversion industry. All new vehicle conversions of this type are now being accredited to this specification, and existing products will need to comply with the requirements within 12 months.

##### Complete the implementation of new customer assessment processes

The changes have been successfully implemented and in addition:

- In November Motability took delivery of two new wheelchair accessible assessment vehicles that have a range of adaptations including high technology driving controls. The vehicles are a key element in the delivery of accurate and timely assessments, particularly for the most complex drive from wheelchair applications.
- The revised working methods have enabled the volume of assessments to be doubled over the year.
- Motability has forged closer links with our suppliers, particularly for demonstrating drive from wheelchair vehicles. These changes have ensured that the suppliers are far more involved in the delivery of a suitable vehicle to our customer.
- Motability Operations has set up a dedicated Customer Solutions Team to focus on providing a service to customers requiring complex vehicles. This team provides support to customers whilst their vehicle is being built and also once it is in use on the Motability Contract Hire Scheme.
- The application and build time for drive from wheelchair vehicles has been significantly reduced despite the largest ever increase in successful

## Governors' Report Continued

applications. However, the lead time is still far too long and further changes are planned and being implemented to make delivery times more comparable to standard production cars.

### Complete the development of Codes of Practice for adaptations

The new Codes of Practice have been completed and implemented, and a number of old codes have also been revised. As technologies and products change so the Codes of Practice are added to and revised accordingly. This has led to a need for two further Codes of Practice which are now under development. All Codes of Practice and the Motability WAV Specification can be found on our website at [www.motability.co.uk](http://www.motability.co.uk).

### Performance during 2006/07

#### Charitable grants

Charitable grants are funded from our own fundraising activities and the support of the Motability Tenth Anniversary Trust. Due to the low advance payments for vehicles enjoyed by Scheme customers, these grants are made predominantly to provide assistance for those customers who need significant adaptations, larger vehicles and driving lessons.

- 1,514 customers received a charitable grant for a vehicle and/or adaptations.
- 2,301 people received grants to assist them with driving lessons.
- Telephone applications were introduced for customers looking for financial help.
- In total, charitable expenditure totalled £2.9 million.

#### Government Grants – Specialised Vehicles Fund

Motability administers the Specialised Vehicles Fund on behalf of the Government, for people needing a heavily adapted vehicle, often wheelchair accessible, either as passenger or driver.

#### Passenger vehicles:

We have continued to ensure that there is no waiting list, other than the time taken to supply the vehicle, for passenger grant applicants. The continuing low advance payments for Wheelchair Accessible Vehicles (WAVs) have

led to a significant increase in vehicles that have been self-financed through the Motability Scheme. This has allowed us to concentrate on helping those in need of more expensive adapted vehicles whilst also providing the largest number of grants funded vehicles ever.

- Grants were provided for 1,038 wheelchair accessible passenger vehicles plus 676 other passenger vehicles.

#### Driver vehicles:

A key objective for Motability is to increase the number of drive from wheelchair vehicles supplied to our customers. This is to meet the increasing demand for this type of vehicle. This year we have supplied a similar number of vehicles to last year, which was the highest we had ever achieved. However, we have worked closely with both Motability Operations and our vehicle suppliers to change the application and vehicle manufacturing processes to increase capacity and speed up the time from application to supply and the results of these changes will start to show in the coming year.

- 123 applications were received.
- 67 vehicles were completed for customers.
- 156 vehicles were ordered and are now in the process of being supplied to customers.

#### Technical Services

When necessary, Motability provides an assessment service for customers receiving financial help to decide on suitable adaptations and vehicles. It also carries out technical evaluations of products and suppliers.

- Over 900 customer referrals were dealt with during the year resulting in over 1,000 visits to customers by members of the assessment team.
- 61 products and vehicles were accredited for use by Motability customers.

#### Aims for 2007/08

- Develop and implement a new Grants IT system designed to support further improvements in customer service with internet applications and reduced application times.

- Increase the number of drive from wheelchair vehicles delivered to customers.
- Hold a European conference attended by key stakeholders such as policy makers, car manufacturers, adaptation/conversion suppliers and assessment specialists with the objective of promoting an understanding of the needs of disabled motorists.
- A review of the timing and number of our raffle and appeal campaigns resulted in us raising over £1.7 million accounting for over 65% of total income.
- Income from Charitable Trusts and Foundations increased by 5% to £257,527. This increase was primarily from newly acquired support.

## Report on Fundraising

Every year, Motability raises over £2 million to support the provision of financial help to customers. The funds we raise help customers who would otherwise be unable to afford the type of car, adaptations or driving lessons that they need to become independently mobile.

### How Motability raises money

Each year, in addition to our three national raffles, our Fundraising team organises a diverse range of activities, campaigns and events. These include activities for individuals, such as parachute jumps and our own Tea Party Week, and sponsored corporate events, such as entertaining clients with a day at York Races. We welcome new opportunities to work with corporate partners on a variety of sponsorship opportunities, such as direct mail campaigns, nominated charity of the year and employee fundraising initiatives. We have a growing base of individual 'Friends of Motability' who support our raffles or who make regular donations.

Payroll Giving is another popular and tax efficient way for individuals to donate money to support us. Likewise, Charitable Trusts and Foundations continue to provide an important source of income, as do the legacies that are kindly left to us by valued supporters.

### Achievements for 2006/07

- A total of £2.4 million was raised from direct fundraising activities for the Charitable Fund representing an 11% increase on last year.
- During the year we conducted a review of all our database needs. This resulted in upgrading our system to enable us to target campaigns more efficiently and effectively.

- A successful campaign to encourage supporters to sign up to gift aid resulted in a 20% increase in gift aid supporters.
- Working closely with Motability Operations, details for a dealer fundraising campaign were finalised.
- A feasibility study was concluded on the viability of a customer and supporter affinity programme and plans were finalised to launch a pilot programme.

### Aims for 2007/08

- Launch the dealer fundraising campaign during May 2007, as part of wider events to promote the Scheme and target each dealer to raise £50.
- Reduce raffle costs by 10%.
- Launch the affinity programme pilot to customers and supporters in April 2007.

## Financial Review and Results for the year

The Statement of Financial Activities (SoFA), set out on page 17 is designed to reflect all incoming resources receivable in the year irrespective of when income is spent.

## Financial Highlights

### Accounting for Lease Levy Income

Following a review of accounting policies, income from the lease levy has now been accounted for on a receivable basis in the year the lease levy is invoiced. This more fairly reflects the resources expended in defining a customer's needs before a grant is awarded. This has resulted in a prior year adjustment to reduce deferred income and increase restricted reserves by £6,095,000, as shown in Note 18.

## Governors' Report Continued

### Accounting for Charitable Grants Expenditure

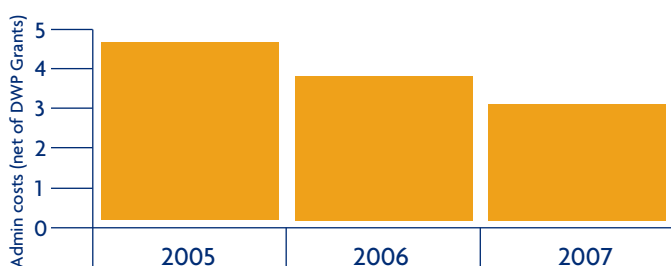
As part of the simplification of grants processes, one grant for driving lessons is now issued per customer up to a maximum number of lessons. Grant expenditure is now based upon the average number of lessons which customers take to pass their test. All other grants are based upon the value of the grant awarded as they relate to specific mobility solutions. This has reduced charitable grants expenditure by £241,000, as shown in Note 21.

### Administration Costs

Costs have decreased by £366,000 or 5.6%, notwithstanding the additional costs arising from moving to new premises in October 2006.

The lease levy charge to cover administration costs has been maintained at £20 per lease, following a significant reduction last year.

£ Millions



Over the same period the Lease Levy has reduced from £34 to £20 per lease

### Income and Expenditure

Total incoming resources increased to £21,599,000 (£19,421,000 in 2006). Total resources expended also increased to £20,906,000 (£19,504,000 in 2006).

The demand for government grants for passenger vehicles and adaptations increased during the year. This increase in expenditure was partially funded by a £700,000 grant from the Motability Tenth Anniversary Trust.

During the financial year, incoming resources from generated funds increased by 24% to £5,432,000 (£4,390,000 in 2006). Costs increased by 14% with an additional £50,000 invested in new fundraising initiatives for 2007/08.

Fund balances increased by £1,837,000 (£689,000 decrease in 2006), primarily as a result of a reduction in

the annual recalculation of the pension liabilities under FRS17 of £1,144,000 (£606,000 increase in 2006). Other restricted funds increased by £528,000 (£224,000 in 2006) as a result of lower administration costs and increased income.

In addition unrestricted funds increased by £165,000 (£307,000 decrease in 2006) as a result of reduced charitable expenditure.

### Investment Policy and Objectives

The Board aims to maximise the total investment return within the objectives of maintaining income and to maximise income on temporarily invested restricted funds.

### Employees

The Charity aims to be an organisation where employees enjoy their work and where they feel valued.

Staff briefing sessions are held on a quarterly basis to share information about Motability's strategy and objectives. News on day-to-day events is shared through departmental meetings, the Intranet and staff magazine. Departments also hold teambuilding activities. Many staff attended the two millionth vehicle celebrations at the Royal Mews and staff regularly represent Motability at exhibitions around the country.

The Charity has continued to pursue a policy of equality and diversity and 12% of our workforce have a disability. Our ongoing association with EmployAbility also enables us to provide work experience for disadvantaged people. Staff continue to participate in a mentoring programme with a local secondary school.

Total reward statements were introduced for all staff following enhancements to the benefits package which included a voluntary benefits scheme. A pay benchmarking exercise was conducted to ensure pay rates remain competitive. An employee recognition scheme was introduced to award a bonus to those staff who had performed above and beyond their normal job responsibilities.

The Charity achieved Investor in People re-accreditation during the year which reflected the support given to the development of leadership and management skills. Staff are encouraged to study for recognised qualifications and

personal development needs are regularly assessed as part of performance management. Training programmes are provided to update skills as technology changes. Staff turnover in 2007 was 6.5% (6.3% in 2006) and the average number of days of absence per employee was 6.2 days (5.4 in 2006).

### **Pensions**

The Charity operates a funded defined benefit scheme. The last actuarial valuation was carried out at 31 March 2004 and showed the market value of the assets of the scheme to be £3,852,000 and the present value of the liabilities £4,778,000. The net deficit on the scheme of just under £926,000 is a statement of the transient situation at 31 March 2004.

Changes to the scheme were implemented in October 2005 designed to reduce this deficit. Note 20 details the annually calculated notional deficit under FRS17, which has decreased to £1,775,000 (deficit of £2,850,000 in 2006).

Whilst this liability has decreased, it fluctuates widely in line with prevailing stock market prices and movements in bond yields.

The Board considers that the changes made together with the level of contributions are sufficient to address the deficit in line with the actuary's recommendations.

The next triannual valuation at March 2007 is due to be received in September 2007, at which point a full review of benefits and contributions to repay the deficit will be negotiated with the trustees.

### **Future Plans**

We believe that the Charity has a sound financial basis upon which to build for the future. We continue to strengthen the Charity's fundraising and technical research activities and to develop in conjunction with the Scheme partners further initiatives which will increase awareness of the Scheme among potential customers.

### **Auditors**

A resolution to reappoint Deloitte & Touche LLP will be proposed at the forthcoming Annual General Meeting.

**By order of the Board**

**The Lord Sterling of Plaistow GCVO CBE**

*Chairman*

**17 August 2007**

# Independent Auditors' Report

## to the Governors of Motability

We have audited the financial statements of Motability for the year ended 31 March 2007 which comprise the Consolidated Statement of Financial Activities, the Consolidated and Charity Balance Sheets, The Consolidated Cash Flow Statement, The Statement of Accounting Policies and the related notes numbered 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Charity's trustees, as a body, in accordance with Regulation 7 of the Charities (Accounts and Reports) Regulations 2005. Our audit work has been undertaken so that we might state to the Charity's Governors those matters we are required to state to them in an auditors' 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 Charity and the Charity's Governors as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of Governors and Auditors

As described in the statement of Governors' responsibilities, you are responsible as Governors for the preparation of the financial statements, which are required to be prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). We have been appointed as auditors under s43 of the Charities Act 1993 and report in accordance with regulations made under s44 of that Act. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland). We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework and are properly prepared in accordance with the Charities Act 1993, Regulation 3 of the Charities (Accounts and Reports) Regulations 2005 and the Royal Charter.

We read the Governors' report and the other information contained in the Annual Report for the above year as

described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made in the preparation of the financial statements and of whether the accounting policies are appropriate to the Charity's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

### In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group and the charitable company's affairs as at 31 March 2007 and of the Group's incoming resources and application of resources, including the Group's income and expenditure, for the year then ended; and
- the financial statements have been properly prepared in accordance with the Charities Act 1993, Regulation 3 of the Charities (Accounts and Reports) Regulations 2005 and the Royal Charter.

### Deloitte & Touche LLP

Chartered Accountants and Registered Auditors  
St Albans  
17 August 2007

# Consolidated Statement of Financial Activities

for the year ended 31 March 2007

	Note	Unrestricted Funds £'000	Restricted Funds £'000	Total 2007 £'000	Restated Total 2006 £'000
<b>Incoming Resources</b>					
Voluntary Income		2,416	1,070	3,486	2,607
Activities for Generating Funds		1,469	69	1,538	1,386
Investment Income		71	337	408	397
<b>Incoming Resources from Generated Funds</b>	3	<b>3,956</b>	<b>1,476</b>	<b>5,432</b>	<b>4,390</b>
DWP Grants Receivable	4	-	12,884	12,884	11,052
Lease Levy Income		-	3,283	3,283	3,979
<b>Incoming Resources from Charitable Activities</b>		<b>-</b>	<b>16,167</b>	<b>16,167</b>	<b>15,031</b>
<b>Total Incoming Resources</b>	5	<b>3,956</b>	<b>17,643</b>	<b>21,599</b>	<b>19,421</b>
<b>Resources Expended</b>					
Cost of Generating Voluntary Income		275	55	330	272
Fundraising Trading: Cost of Goods Sold and Other Costs		804	45	849	719
<b>Cost of Generating Funds</b>	6	<b>1,079</b>	<b>100</b>	<b>1,179</b>	<b>991</b>
Motability Funded Grant Making	7,8	2,712	1,563	4,275	4,711
DWP Funded Grant Making	4,7	-	13,719	13,719	11,769
Scheme Operations/Communications	7	-	1,256	1,256	1,512
<b>Cost of Charitable Activities</b>		<b>2,712</b>	<b>16,538</b>	<b>19,250</b>	<b>17,992</b>
<b>Governance Costs</b>	7	<b>-</b>	<b>477</b>	<b>477</b>	<b>521</b>
<b>Total Resources Expended</b>	5,7	<b>3,791</b>	<b>17,115</b>	<b>20,906</b>	<b>19,504</b>
<b>Net Incoming Resources before other recognised gains and losses</b>		<b>165</b>	<b>528</b>	<b>693</b>	<b>(83)</b>
<b>Other recognised gains and losses</b>					
FRS17 Actuarial losses	20	-	1,144	1,144	(606)
<b>Net Movement in Funds</b>		<b>165</b>	<b>1,672</b>	<b>1,837</b>	<b>(689)</b>
Fund Balances brought forward 1 April restated		400	4,653	5,053	5,742
<b>Fund Balances carried forward 31 March</b>		<b>565</b>	<b>6,325</b>	<b>6,890</b>	<b>5,053</b>

Opening fund balances for 2006 have been restated from £(844,000) by £6,586,000 to £5,742,000 as explained further in Note 18. The Group has no recognised gains or losses other than those shown in the Consolidated SoFA, and accordingly no statement of total recognised gains and losses is presented. The notes on pages 20 to 37 form an integral part of the financial statements. All the Group's activities in this and the prior period were continuing.

# Balance Sheets

at 31 March 2007

	Note	Group		Charity	
		2007 £'000	Restated 2006 £'000	2007 £'000	Restated 2006 £'000
<b>Fixed Assets</b>	12	<b>647</b>	<b>114</b>	<b>647</b>	<b>114</b>
<b>Current Assets</b>					
Stock		8	8	7	7
Debtors	13	3,681	3,323	4,109	3,860
Longer Term Deposits	14	9,000	7,500	9,000	7,500
Cash and Short Term Deposits	14	747	1,800	249	918
		<b>13,436</b>	<b>12,631</b>	<b>13,365</b>	<b>12,285</b>
<b>Creditors: amounts falling due within one year</b>	15	<b>(5,293)</b>	<b>(4,824)</b>	<b>(5,237)</b>	<b>(4,493)</b>
<b>Net Current Assets</b>		<b>8,143</b>	<b>7,807</b>	<b>8,128</b>	<b>7,792</b>
<b>Total Assets less Current Liabilities</b>		<b>8,790</b>	<b>7,921</b>	<b>8,775</b>	<b>7,906</b>
<b>Creditors: amounts falling due after one year</b>	16	<b>(125)</b>	<b>(18)</b>	<b>(125)</b>	<b>(18)</b>
<b>Net Assets excluding Pension Liability</b>	17	<b>8,665</b>	<b>7,903</b>	<b>8,650</b>	<b>7,888</b>
Pension Liability	20	<b>(1,775)</b>	<b>(2,850)</b>	<b>(1,775)</b>	<b>(2,850)</b>
<b>Net Liabilities including Pension Liability</b>		<b>6,890</b>	<b>5,053</b>	<b>6,875</b>	<b>5,038</b>
<b>Represented by:</b>					
Restricted Funds					
Balance before Pension Reserve	18	7,864	7,336	7,864	7,336
Pension Reserve	18,20	(1,539)	(2,683)	(1,539)	(2,683)
		6,325	4,653	6,325	4,653
Unrestricted Funds	19	565	400	550	385
<b>Total Funds</b>		<b>6,890</b>	<b>5,053</b>	<b>6,875</b>	<b>5,038</b>

The notes on pages 20 to 37 form an integral part of the financial statements. The financial statements on pages 17 to 37 were approved by the Board of Governors on 17 August 2007 and were signed on its behalf by:

**The Lord Sterling of Plaistow GCV O CBE**

*Chairman*

**Richard Bennison**

*Hon. Treasurer*

# Consolidated Cash Flow Statement

for the year ended 31 March 2007

	Note	2007 £'000	Restated 2006 £'000
<b>Net cash inflow/(outflow) from operating activities</b>	22	<b>720</b>	<b>188</b>
<b>Returns on investments and servicing of finance</b>			
Interest received		408	397
<b>Net cash inflow from returns on investments and servicing of finance</b>		<b>408</b>	<b>397</b>
<b>Capital expenditure</b>			
Purchase of tangible fixed assets	12	(681)	(98)
<b>Net cash outflow from capital expenditure</b>		<b>(681)</b>	<b>(98)</b>
<b>Cash inflow before management of liquid resources and finance</b>		<b>447</b>	<b>487</b>
<b>Management of liquid resources</b>			
Longer term deposits		(1,500)	(331)
<b>Increase/(decrease) in cash and short term deposits</b>		<b>(1,053)</b>	<b>156</b>

## Reconciliation of net cash flow to movement in net funds

	2007 £'000	2006 £'000
Increase/(decrease) in cash and short term deposits	(1,053)	<b>156</b>
Cash inflow from liquid resources	1,500	331
Movement in net cash in the year arising from cashflows	447	487
<b>Net funds at 1 April</b>	<b>9,300</b>	<b>8,813</b>
<b>Net funds at 31 March</b>	<b>9,747</b>	<b>9,300</b>

## Analysis of Net Funds

	2006 £'000	Cash Flow £'000	2007 £'000
Longer term deposits (note 14)	7,500	1,500	9,000
Cash and short term deposits (note 14)	1,800	(1,053)	747
<b>Net funds and investments</b>	<b>9,300</b>	<b>447</b>	<b>9,747</b>

The notes on pages 20 to 37 form an integral part of the financial statements.

# Notes to the Financial Statements

for the year ended 31 March 2007

## 1. Accounting Policies

### Basis of Accounting

The financial statements have been prepared under the historic cost convention and in accordance with the Statement of Recommended Practice 2005 issued by the Charity Commission and applicable accounting standards in the United Kingdom. A summary of accounting policies consistently applied is set out below:

### Consolidation

The financial statements of the wholly owned subsidiary, Motability Enterprises Limited, have been consolidated with those of the Charity on a line by line basis. The principal activity of Motability Enterprises Limited during the year was the raising of funds for the Charity.

### a) Incoming Resources

Income is accounted for on the basis of entitlement, certainty of receipt and measurability.

Incoming resources from generated funds are recorded on a receivable basis and support from the Motability Tenth Anniversary Trust is recorded on a cash receivable basis.

DWP (Department for Work and Pensions) grants receivable for grants to disabled people are accrued to match the expenditure up to the level which has been agreed for future spending with the DWP. Grant income in relation to support and administration costs is received from Government and recognised when receivable.

Support and administration costs, net of the DWP contribution, are invoiced to Motability Operations, who include the charge in each contract hire lease. Cash is received as a single payment at lease inception and income is recognised on a receivable basis.

### b) Resources Expended

Grants to disabled people are recognised in the SoFA when they have been approved and formally accepted by the beneficiary, to the extent that a constructive obligation exists to provide the services agreed.

Grant expenditure on driving lessons is based upon the higher of the actual number of lessons taken during the year or the average number of lessons which customers take to pass their test.

The 'Cost of Generating Funds' comprises costs directly attributable to activities for generating funds such as the administration of the national raffles and the running of fundraising events together with fundraising expenses.

The 'Cost of Charitable Activities' includes central overheads which are apportioned to operational and grant making functions.

Governance costs include audit fees, legal advice for Governors relating to the financial management of the Charity and compliance with constitutional and statutory requirements.

All non-directly attributable support costs are allocated to resources expended on a headcount basis.

### c) Fixed Assets

Assets are included on the balance sheet at cumulative historic cost less depreciation and any impairments in accordance with FRS15. An annual review of all assets is undertaken to ascertain any impairments. Expenditure on fixed assets is capitalised, where individual items cost £500 or more, in the year of acquisition and depreciation is charged annually. Fixed assets are depreciated on a straight-line basis over their anticipated useful lives as follows:

<b>Fixtures and fittings:</b>	5 years
<b>Computer hardware and software:</b>	3 years
<b>Vehicles:</b>	1–3 years

#### **d) Fund Accounting**

Unrestricted funds comprise the accumulated movement on funds available for use at the absolute discretion of the Governors. All transfers between funds are approved by the Audit Committee.

Restricted funds are funds subject to specific restrictions imposed by the donor; mainly government departments providing funds for the purpose of grant making and supporting Motability's administration and support costs.

#### **e) Pension Costs**

The Charity operates a defined benefit pension scheme for certain employees. The amounts charged in resources expended are the current service costs and gains and losses on settlements and curtailments are included as part of staff costs. Vested past service costs are recognised immediately in the SoFA. The interest cost and the expected return on assets are charged to net finance charges within support costs. Actuarial gains and losses are recognised immediately as 'FRS17 Actuarial Losses'.

The defined benefit scheme is funded, with the assets of the scheme held separately from those of the group, in separate trustee-administered funds. The pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the scheme liabilities. Actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

The Charity also operates a defined contribution scheme and the amount charged to the Consolidated

SoFA in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

## Notes to the Financial Statements Continued

### 2. Trading Activities of the Subsidiary

The Charity has a wholly owned trading subsidiary, Motability Enterprises Limited, which is incorporated in the UK. Motability Enterprises Limited raises funds on behalf of Motability and covenants its taxable profits to Motability. A summary of its trading results is shown below.

<b>Income and Expenditure Account</b>	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Turnover	1,538	1,386
Less cost of sales	(678)	(559)
Gross profit	860	827
Administration expenses	(171)	(160)
Interest receivable	14	15
Net profit	703	682
Gift aided to Motability	(703)	(677)
<b>Retained in Subsidiary</b>	<b>0</b>	<b>5</b>

### 3. Incoming Resources from Generated Funds

	Unrestricted Funds £'000	Restricted Funds £'000	Total 2007 £'000	Total 2006 £'000
Voluntary Fundraising Income	606	266	872	777
Trading Subsidiary Income (Note 2)	1,469	69	1,538	1,386
Fundraising Activities	2,075	335	2,410	2,163
Tenth Anniversary Trust Voluntary Donations	1,810	804	2,614	1,830
Investment Income	71	337	408	397
<b>Incoming Resources from Generated Funds</b>	<b>3,956</b>	<b>1,476</b>	<b>5,432</b>	<b>4,390</b>

Investment Income comprises deposit interest receivable for the year.

## 4. Department for Work and Pensions (DWP) Funding

	2007		2006	
	Income £'000	Expenditure £'000	Income £'000	Expenditure £'000
Grants to Disabled People:				
Ex-IVS Vehicle Users	133	135	110	114
War Pensioners	114	115	126	125
Specialised Vehicle Funds	9,677	10,411	8,016	8,396
DWP Funded Grants to Disabled People	9,924	10,661	8,252	8,635
Support Activities	2,960	3,058	2,800	3,134
<b>Total DWP funded Grant Making</b>	<b>12,884</b>	<b>13,719</b>	<b>11,052</b>	<b>11,769</b>

The difference between Income and Expenditure for DWP Funded Grants to Disabled People relates to the utilisation of funds carried forward from previous years under agreement with DWP.

## 5. Incoming Resources and Associated Expenditure

	Motability Grants to Disabled People £'000	Government Grants to Disabled People £'000	Support and Admin Costs £'000	Total 2007 £'000	Restated Total 2006 £'000
<b>Incoming Resources</b>					
Voluntary Income	2,682	700	104	3,486	2,607
Trading and Competitions	1,538	-	-	1,538	1,386
DWP Grants Receivable	-	9,924	2,960	12,884	11,052
Lease Levy Income	-	-	3,283	3,283	3,979
Investment Income	71	-	337	408	397
<b>Total Incoming Resources</b>	<b>4,291</b>	<b>10,624</b>	<b>6,684</b>	<b>21,599</b>	<b>19,421</b>
<b>Resources Expended</b>					
Cost of Generating Voluntary Income	330	-	-	330	272
Cost of Goods Sold and Other Costs	849	-	-	849	719
Motability Funded Grant Making	2,902	-	1,373	4,275	4,711
DWP Funded Grant Making	-	10,661	3,058	13,719	11,769
Scheme Operations/Communications	-	-	1,256	1,256	1,512
Governance Costs	-	-	477	477	521
<b>Total Resources Expended</b>	<b>4,081</b>	<b>10,661</b>	<b>6,164</b>	<b>20,906</b>	<b>19,504</b>

## Notes to Financial Statements Continued

The analysis on the previous page shows the relationship between resources expended and the sources of income.

Grants made to disabled people are funded by voluntary income, generated income, investment income and grants receivable after deducting the cost of generating funds.

Support and administration costs are funded by grants receivable, lease levy, investment income and voluntary income that have been restricted by the donor for use on support and administration costs. Within the support and administration costs of £6,164,000 are the costs of relocating to Warwick House of £268,000 together with additional depreciation of £13,000. All non-directly attributable costs are allocated on a headcount basis.

Scheme Operations/Communications expenditure relates to the occupation costs of Motability Operations in Harlow together with communications costs to improve awareness of the benefits of the Scheme to non-customers.

### 6. Cost of Generating Funds

	Unrestricted Funds £'000	Restricted Funds £'000	Total 2007 £'000	Total 2006 £'000
Cost of Fundraising Activities	275	55	330	272
Cost of Trading	804	45	849	719
	<b>1,079</b>	<b>100</b>	<b>1,179</b>	<b>991</b>

Included in 2007 are costs for two new fundraising initiatives for dealer fundraising and a customer affinity programme which total £52,000.

## 7. Analysis of Total Resources Expended

	Grants to Disabled People £'000	Staff Costs £'000	Premises £'000	Other £'000	Total 2007 £'000	Restated 2006 £'000
<b>Cost of Generating Funds:</b>						
- Cost of Generating Voluntary Income	0	147	10	173	330	272
- Cost of Goods Sold and Other Costs	0	189	12	648	849	719
	<b>0</b>	<b>336</b>	<b>22</b>	<b>821</b>	<b>1,179</b>	<b>991</b>
<b>Motability Funded Grant Making</b> (Note 8)	2,902	900	229	244	4,275	4,711
<b>DWP Funded Grant Making</b>	10,661	2,036	478	544	13,719	11,769
<b>Scheme Operations/Communications</b>	0	442	303	511	1,256	1,512
<b>Governance Costs</b>	0	279	34	164	477	521
	<b>13,563</b>	<b>3,993</b>	<b>1,066</b>	<b>2,284</b>	<b>20,906</b>	<b>19,504</b>

Support costs comprise Staff Costs, Premises and Other Costs. Other Costs includes Finance, Human Resource and IT costs of £508,000 (£829,000 in 2006) in support of principal activities and a further £437,000 (£377,000 in 2006) of Scheme communication costs. All non-directly attributable supports costs are allocated on a headcount basis.

## 8. Motability Funded Grant Making

	2007 £'000	2006 £'000
Grants to Disabled People:		
Vehicle Adaptations	878	1,490
Advance Payments	775	1,318
Driving Lessons	1,057	772
Lease Refunds	(181)	(201)
Movement in Commitments	373	(31)
<b>Charitable Grants to Disabled People</b>	<b>2,902</b>	<b>3,348</b>
Support Costs	1,373	1,363
	<b>4,275</b>	<b>4,711</b>

The number of grants awarded in 2007 increased to 3,815 (3,514 in 2006).

## Notes to Financial Statements Continued

### 9. Resources Expended

The following have been charged within resources expended:

	2007 £'000	2006 £'000
Auditors - Fees for the Statutory Audit	20	20
Publicity expenses	444	416
Depreciation	146	155
<b>Operating Lease Rentals</b>		
• Plant and Machinery	158	169
• Other	583	820

The decrease in other operating lease rentals related to the buy out of a property lease in 2006 offset by the increased costs of double occupancy during the period of relocation to Warwick House, which will generate future cost savings.

### 10. Governors, Staff and Related Parties

#### a) Numbers and Costs

The number of Governors during the year and average number of persons employed by the Group during the year analysed by category, was as follows:

	2007 Number	2006 Number
Administration	114	117
Fundraising	10	8
Governors	12	13
	<b>136</b>	<b>138</b>

The aggregate payroll costs of administration and fundraising were as follows:

	2007 £'000	2006 £'000
Salaries including benefits in kind	3,084	2,978
Staff restructure programme	3	38
Social security costs	259	242
Pension costs	537	522
Other staff costs	154	115
	<b>4,037</b>	<b>3,895</b>

The total is greater than staff costs shown in Note 7 due to the value of benefits in kind. Other staff costs include training, recruitment and payroll bureau costs.

The number of employees whose emoluments for the year fell within the following bands:

	2007	2006
£130,000 to £139,999	1	1
£100,000 to £109,999	1	1
£90,000 to £99,999	1	1
£80,000 to £89,999	2	2
£60,000 to £69,999	2	1

All of the above employees are accruing benefits in the defined benefit pension scheme.

### b) Governors' emoluments

No Governor received any emoluments during the year. One Governor (two in 2006) received reimbursement of travelling expenses amounting to £198 (£1,293 in 2006).

### c) Professional indemnity

Appropriate insurance has been arranged by the Charity to indemnify Governors and employees for their legal liability for damages and legal expenses arising from the performance of their duties.

### d) Related parties

Sir Trevor Chinn is chairman of the Automobile Association (AA). Following a strategy to centralise all driving lessons with one supplier, driving lessons were first awarded to the AA by Motability in June 2006, by way of a pilot programme under the terms of a contract negotiated by Motability Operations for Pass Plus driver training. A side letter to the Motability Operations contract was signed by Motability on the 19 March 2007, which gave effect to the terms from 1 March 2007. The maximum value of driving lessons awarded to the AA in the year was £815,000 of which £83,000 was paid during the year. Sir Trevor took no part in the negotiations and Motability Operations undertook a competitively tendered process to obtain best value.

Motability paid Motability Operations £8,461,000 (£7,911,000 in 2006), in respect of grants awarded to customers, to fund advance payments on vehicles provided under the contract hire or hire purchase schemes.

Motability received from Motability Operations £3,283,000 (£3,979,000 in 2006) in respect of a levy on the leases to defray Motability's administration costs in processing charitable grants applications and support for the Scheme. A further £733,000 (£1,157,000 in 2006) was received from Motability Operations as rebates, in respect of grant awards towards advance payments, where customers have terminated their hire agreements.

### e) Related Charity

The Motability Tenth Anniversary Trust Limited was set up to provide long-term support to Motability by providing income to assist in the funding of charitable grants and the provision of other support which meets Motability's objective. The Trust provided income amounting to £2,614,000 (£1,830,000 in 2006).

## Notes to Financial Statements Continued

### 11. Fixed Asset Investment

Motability holds 99 ordinary shares of £1 each in Motability Enterprises Limited, a company which is registered in England. The company carries out certain trading activities in order to raise funds for Motability (Note 2).

### 12. Fixed Assets

	Fixtures and Fittings £'000	Computer Hardware £'000	Computer Software £'000	Vehicles £'000	Total £'000
<b>Cost</b>					
Balance at 1 April 2006	262	1,088	1,380	11	2,741
Additions	364	156	7	154	681
Disposals	(133)	(439)	(5)		(577)
<b>At 31 March 2007</b>	<b>493</b>	<b>805</b>	<b>1,382</b>	<b>165</b>	<b>2,845</b>
<b>Depreciation</b>					
Balance at 1 April 2006	250	1,003	1,365	11	2,629
Charge for the year	38	70	13	25	146
Disposals	(133)	(439)	(5)		(577)
<b>At 31 March 2007</b>	<b>155</b>	<b>634</b>	<b>1,373</b>	<b>36</b>	<b>2,198</b>
<b>Net book value</b>					
<b>At 31 March 2007</b>	<b>338</b>	<b>171</b>	<b>9</b>	<b>129</b>	<b>647</b>
<b>At 31 March 2006</b>	<b>12</b>	<b>85</b>	<b>17</b>	<b>0</b>	<b>114</b>
<b>The net book value at 31 March 2007 represents tangible fixed assets used for:</b>					
Fundraising		3	1		4
Direct charitable purposes	338	168	8	129	643
	<b>338</b>	<b>171</b>	<b>9</b>	<b>129</b>	<b>647</b>

The fixed assets of the Group are the same as those of the Charity.

Capital expenditure in 2007 included expenditure on refitting the new premises at Warwick House of £364,000, IT equipment necessary to upgrade to a faster network of £110,000 together with £148,000 spent on two assessment vehicles funded by the Tenth Anniversary Trust and Motability's own fundraising efforts.

As part of the relocation process all computer hardware and fixtures and fittings were reassessed and all items disposed of had been depreciated.

## 13. Debtors

	Group		Charity	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
<b>Amounts owed by DWP in respect of:</b>				
Ex-Invalid Vehicle Scheme (see below)	32	50	32	50
War Pensioners (see below)	72	89	72	89
Specialised Vehicles Funds (see below)	2,525	1,854	2,525	1,854
Total Government Grants	2,629	1,993	2,629	1,993
Other Debtors	767	1,064	745	927
Prepayments and accrued income	285	266	280	263
Due from Subsidiary	-	-	455	677
	<b>3,681</b>	<b>3,323</b>	<b>4,109</b>	<b>3,860</b>

Government Grants	Ex-IVS	War Pensioners	SVF	2007	2006
				Total	Total
Amounts owed by DWP at 1 April	50	89	1,854	1,993	2,595
Cash Expenditure	150	129	9,938	10,217	8,931
Adjusted Movement in Commitments	(28)	(16)	472	428	(296)
Grants to Disabled People	122	113	10,410	10,645	8,635
Cash Receivable from DWP	(138)	(129)	(9,662)	(9,929)	(8,790)
Interest			(43)	(43)	(64)
Movement on Reserves	(2)	(1)	(34)	(37)	(383)
<b>Amounts owed by DWP at 31 March</b>	<b>32</b>	<b>72</b>	<b>2,525</b>	<b>2,629</b>	<b>1,993</b>

## Notes to Financial Statements Continued

### 14. Cash and Term Deposits

	Group		Charity	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Longer Term Deposits	9,000	7,500	9,000	7,500
Cash and Short Term Deposits	747	1,800	249	918
	<b>9,747</b>	<b>9,300</b>	<b>9,249</b>	<b>8,418</b>
<b>Represented by:</b>				
Funds held by Motability	9,690	9,173	9,192	8,291
Amounts held by way of customer deposits	55	87	55	87
<b>Amounts held in respect of:</b>				
• Ex-Invalid Vehicle Scheme		3		3
• War Pensioners	2	4	2	4
• Specialised Vehicles Fund		33		33
	<b>9,747</b>	<b>9,300</b>	<b>9,249</b>	<b>8,418</b>

Customer deposits represent amounts lodged and held separately by Motability on behalf of customers, to cover potential losses on their lease. The deposit together with any accrued interest is repaid to the customer once the liability is discharged. The decision has been made to return the deposits held to customers and for no new deposits to be taken. The process of returning deposits continues.

Cash includes balances on interest bearing premium accounts, having deducted unrepresented cheques drawn on current accounts. These payments are met from automatic bank transfers from the premium accounts.

## 15. Creditors: amounts falling due within one year

	Group		Charity	
	2007 £'000	Restated 2006 £'000	2007 £'000	Restated 2006 £'000
Customer deposits	51	84	51	84
Authorised grants awaiting payment:				
• Charitable Grants	1,450	1,078	1,450	1,078
• Specialised Vehicles Fund	2,646	2,175	2,646	2,175
• Ex-Invalid Vehicle Scheme	38	51	38	51
• War Pensioners	56	69	56	69
Other creditors	351	549	328	346
Accruals	673	726	668	690
Deferred Income	28	92	0	0
	<b>5,293</b>	<b>4,824</b>	<b>5,237</b>	<b>4,493</b>

Deferred income relates to monies received in advance for fundraising events.

## 16. Creditors: amounts falling due after one year

	Group		Charity	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Amortised rent free period	125	18	125	18
	<b>125</b>	<b>18</b>	<b>125</b>	<b>18</b>

## Notes to Financial Statements Continued

### 17. Analysis of Group Net Assets/Liabilities between Funds

	Unrestricted Funds £'000	Restricted Funds £'000	Total Funds £'000
<b>Fund Balances at 31 March 2007 are represented by:</b>			
Tangible fixed assets	1	646	647
Current assets	2,078	11,358	13,436
Current liabilities	(813)	(3,779)	(4,592)
Creditors over one year		(125)	(125)
<b>Net Assets excluding pension liability</b>	<b>1,266</b>	<b>8,100</b>	<b>9,366</b>
Pension liability		(1,775)	(1,775)
<b>Net Assets/(Liabilities) including pension liability</b>	<b>1,266</b>	<b>6,325</b>	<b>7,591</b>

### 18. Restricted Funds

The income funds of the Group and the Charity include restricted funds comprising donations, other income and government grants to be applied for specific purposes:

<b>Movement in Funds:</b>	Restated Balance 31/3/06 £'000	Incoming Resources £'000	Expenditure, gains and losses £'000	Balance 31/3/07 £'000
Donations and appeals	33	335	(360)	8
Government funding and other income in relation to administration costs	7,242	6,684	(6,094)	7,832
Pension Reserve	(2,683)	-	1,144	(1,539)
<b>Other Government Funding:</b>				
• Invalid Vehicle Scheme	2	133	(135)	0
• War Pensioners	25	114	(115)	24
• Specialised Vehicles Funds	34	10,377	(10,411)	0
	<b>4,653</b>	<b>17,643</b>	<b>(15,971)</b>	<b>6,325</b>

Following a review of accounting policies, income from the lease levy has now been accounted for on a receivable basis in the year the lease levy is invoiced. This more fairly reflects the resources expended in defining a customer's needs before a grant is awarded. This has resulted in a restatement of prior year restricted funds of £6,095,000 from £(1,442,000) to £4,653,000, as a result of changing the opening position for 2006 by £6,586,000 and the change in net incoming resources in the 2006 year of £(491,000). The impact of this change in net incoming resources in the 2007 year is £(807,000).

Donations and appeals represent monies received to which the donor reserves a specific purpose.

Details of government funds are shown in Note 4.

The balance held under government funding and other income represents a reserve for future fluctuations in administration costs including pension costs and the net book value of fixed assets used for direct charitable purposes.

## 19. Unrestricted Funds

	<b>Group</b>	
	2007 £'000	2006 £'000
Balance brought forward 1 April	400	707
Movement in funds for year	165	(307)
<b>Balance carried forward 31 March</b>	<b>565</b>	<b>400</b>

The balance on unrestricted funds represents funds generated from trading, competitions and other voluntary income and expended within the charitable objectives of the Charity.

## Notes to Financial Statements Continued

### 20. Pension Arrangements

The Group has operated a defined benefit pension scheme for its employees since November 1988 under which a separate fund is being accumulated to meet the accruing liabilities which is held under a trust, entirely separate from the Charity's assets. Payments to the scheme are made in accordance with the recommendations of qualified actuaries.

From 1 October 2005 changes were made to the defined benefit pension scheme:

- The scheme was closed to new members.
- Employees who wished to retain the 1/60th benefit were asked to increase their contributions.
- The ability to retire before 65 without actuarial reduction was removed.

A defined contribution scheme was available from that date to any employees wishing to receive pension benefits. The pension cost to the Charity under FRS17 was £491,000 (£506,000 in 2006).

The last actuarial valuation was prepared using the "Projected Unit" method, as at 31 March 2004. This valuation used the following assumptions.

	%
Investment return in deferment	7.0
Investment return in payment	5.0
Salary increases	4.25
Pension increases (3% for GMP)	2.75

Under the MFR, the funding level is 129%. On this basis, assets are included at market value and the liability for pensioners is based upon an estimate of the cost of buying annuities to secure their benefits. However, the liability of other members is based upon a cash equivalent transfer value which differs from the actuarial value of liabilities noted above.

At 31 March 2004 the market value of the scheme's assets was £3,852,000, the present value of liabilities was £4,778,000, resulting in an actuarial deficit of £926,000, equivalent to a funding level of 81%. As part of an overall long-term strategy to provide for the pension deficit, the employers' contribution increased to 17.9% from 1 April 2005.

A qualified actuary using revised assumptions that are consistent with the requirements of FRS17 has updated the actuarial valuation described above at 31 March 2007. Investments have been valued for this purpose at fair value.

The major assumptions used for the FRS17 actuarial valuation were:

	2007 %	2006 %	2005 %
Rate of increase in salaries	4.5	4.4	4.25
Rate of increase in pensions in payment	2.8	2.9	2.75
Discount rate	5.4	5.0	5.5
Inflation assumption	3.0	2.9	2.75

The fair value of the assets in the scheme, the present value of the liabilities in the scheme and the expected rate of return at each balance sheet date were:

	2007 %	2007 £'000	2006 %	2006 £'000	2005 %	2005 £'000
Equities	6.25	5,093	6.25	4,764	6.75	3,612
Bonds	5.0	1,555	5.0	1,418	5.5	996
Cash	4.5	271	4.5	87	4.25	53
Total fair value of assets		6,919		6,269		4,661
Present value of scheme liabilities		(8,694)		(9,119)		(6,827)
<b>Net pension liability</b>		<b>(1,775)</b>		<b>(2,850)</b>		<b>(2,166)</b>

The contribution rate for 2007 was 17.9% of pensionable earnings.

The movement in the scheme's deficit over the year to 31 March 2007 is summarised as follows:

	2007 £'000	2006 £'000
<b>The Pension Reserve as at 31 March comprises:</b>		
Reserve at 1 April	(2,683)	(2,077)
Actuarial gain/loss in the Year	1,144	(606)
Pension Reserve at 31 March	(1,539)	(2,683)
<b>Analysis of amounts charged to the SoFA for the year:</b>		
• Employer's contributions	422	428
• Other finance cost	(93)	(71)
• Current service cost	(398)	(435)
<b>Resources Expended</b>	<b>(69)</b>	<b>(78)</b>
Amount charged to SoFA in previous years	(167)	(89)
<b>Pension liability at 31 March</b>	<b>(1,775)</b>	<b>(2,850)</b>

## Notes to Financial Statements Continued

Analysis of the amount that has been charged to operating profit under FRS17:

	2007 £'000	2006 £'000
Current service cost	398	435
Past service cost	-	-
Gain/(loss) on settlements and curtailments	-	-
	<b>398</b>	<b>435</b>

Analysis of the amount that has been debited to net finance charges under FRS17:

	2007 £'000	2006 £'000
Expected return on pension scheme assets	384	314
Interest on pension scheme liabilities	(477)	(385)
	<b>(93)</b>	<b>(71)</b>

Analysis of the amount that has been recognised in the Statement of Total Recognised Gains and Losses (STRGL):

	2007 £'000	2006 £'000	2005 £'000
Actual return less expected return on pension scheme assets	(126)	942	142
Experience gains and losses arising on the scheme liabilities	930	(126)	(131)
Changes in assumptions underlying the present value of the scheme liabilities	340	(1,422)	(436)
	<b>1,144</b>	<b>(606)</b>	<b>(425)</b>

History of experience gains and losses

	2007 £'000	2006 £'000	2005 £'000	2004 £'000	2003 £'000
<b>Difference between actual and expected return on assets</b>					
Amount	(126)	942	142	403	(1,000)
% of scheme assets	(2%)	15%	3%	10%	(35%)
<b>Experience gains and losses arising on liabilities</b>					
Amount	930	(126)	(131)	356	151
% of scheme assets	10%	(1%)	(1%)	7%	3%
<b>Total amount recognised in STRGL</b>					
Amount	1,144	(606)	(425)	702	(1,469)
% of scheme assets	12%	(7%)	(6%)	13%	(30%)

## 21. Commitments

### Operating Leases

Amounts payable in the following year under operating leases with expiry dates:

	Premises		Other	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Within one year	0	386	91	21
Between one and five years	0	0	45	127
Over five years	329	141	0	0
	<b>329</b>	<b>527</b>	<b>136</b>	<b>148</b>

Commitments in respect of premises which expire within one year relate to the lease for Goodman House which ended during 2007. Premises commitments expiring over five years have increased to reflect a full year's cost for the new premises lease at Warwick House, following an initial rent free period during 2006. Other lease commitments include a photocopier lease due to expire in 2008 and other equipment leases which have been reduced following the relocation to new premises.

### Grants

Grants for driving lessons authorised above the average of 39 lessons per customer amounted to £241,000 (£0 in 2006). Other grants authorised but not yet formally accepted by beneficiaries amounted to £1,468,349 (£646,591 in 2006). These amounts are not charged within the Accounts.

## 22. Reconciliation of Net Movement in Funds with the Net Inflow/(Outflow) from Operating Activities

	2007 £'000	Restated 2006 £'000
Net movement in funds	693	(83)
FRS17 Adjustment	69	78
Interest receivable	(408)	(397)
Decrease in debtors	278	157
(Increase) / Decrease in amount owing by DWP/DH	(636)	603
(Decrease) / Increase in creditors	(208)	433
Decrease in customer deposits	(33)	(431)
Increase / (Decrease) in authorised grants awaiting payment	817	(327)
Depreciation	148	155
<b>Net inflow / (outflow) from operating activities</b>	<b>720</b>	<b>188</b>

## 23. Taxation

As a registered charity Motability is potentially exempt from taxation of income and gains falling within s505 Income and Corporation Taxes Act 1988 and s256 Taxation Chargeable Gains Act 1992. No tax charge has arisen in the year. No tax charge has arisen in the subsidiary due to the policy of gifting all taxable profits to Motability each year.

# How the Motability Scheme Works

**Motability has overall responsibility for the Motability Scheme. It determines policy and strategic direction, and oversees the performance of the service providers who operate the Scheme under contract to Motability.**

## The Car Schemes

The operation of the car schemes, both contract hire and hire purchase, is undertaken by Motability Operations (the trading name of Motability Finance Limited) which is the principal service provider to Motability. Working to objectives and service levels agreed with Motability, Motability Operations obtains finance for the Scheme, negotiates contracts with motor manufacturers and other suppliers to the Scheme, and undertakes the leasing and sale of cars to its customers.

Motability Finance Limited is a private limited company owned by five major clearing banks which also provide the finance for the car schemes. It is corporately and financially independent of Motability and operates the car schemes on a not-for-profit basis. The return earned by the banks through their involvement in the Motability Scheme consists of a margin of 1.05% on the funds provided and an annual management fee of £150,000 paid to each bank.

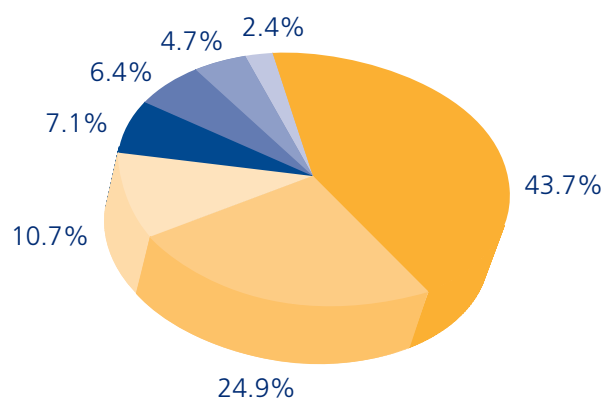
It provides vehicles to Scheme customers under either a contract hire or hire purchase agreement, where customers' payments are met principally by the diversion of all, or part, of their Higher Rate Mobility Component of Disability Living Allowance or War Pensioners' Mobility Supplement to Motability Operations for the duration of the agreement.

The residual value of used cars at the end of their leases represents the largest risk for Motability Operations in operating the Scheme. In 1999/2000, for example, residual values fell by up to 15% within a short time period. In order to protect Scheme customers from the impact of any future falls in residual values or other unexpected events, an Economic Capital model is used to determine how much capital is required to protect the business from such unexpected events. The Scheme then aims to maintain this level of capital to ensure the continuity and affordability of the Scheme for customers

in such circumstances. Maintaining this capital has also reduced the Scheme's borrowing requirements. Motability Operations and the partner banks are considering with us how to build on this to ensure the continuing level of finance needed as the Scheme continues to grow.

As Motability Operations operates on a not-for-profit basis, the prices charged to customers are determined by the various costs from the providers of vehicles, services or funds. The chart below shows the cost breakdown of a three-year contract hire agreement for a typical small car:

**Cost breakdown of a typical contract hire lease**



Costs	2007
Depreciation	43.7%
Fleet Insurance	24.9%
Funding Costs	10.7%
Maintenance	7.1%
Scheme Benefits	6.4%
Administration	4.7%
Margin and Fees	2.4%

## Financial assistance

Where a customer is unable to afford the type of vehicle they need, or any adaptations that they require, Motability may be able to help with financial assistance. Motability's charitable funds come from two sources. Firstly, its own Fundraising Department carries out a variety of fundraising and trading activities, and the second source is the Motability Tenth Anniversary Trust, an independent charity set up to provide long-term support for Motability.

Motability also administers the Government's Specialised Vehicles Fund which provides financial assistance to customers who need heavily adapted vehicles, often wheelchair accessible, either as a passenger or driver.

## The Powered Wheelchair and Scooter Scheme

The Powered Wheelchair and Scooter Scheme is operated by route2mobility Limited (r2m) under contract to Motability. r2m is a private limited company, in which the majority of shares are owned by Jamie Borwick with a minority holding by Enham, a charity committed to improving opportunities for disabled people.

r2m offers a wide variety of powered wheelchairs and scooters to customers under hire purchase or contract hire agreements, with customers' repayments being made by diverting all, or part, of their mobility allowance to r2m for the duration of the agreement.

## Further details

For further details about Motability and its achievements during 2006/07, please refer to the Annual Report, which is available by calling **01279 632227**.

Alternatively it can be downloaded from our website at: **[www.motability.co.uk](http://www.motability.co.uk)**



If you would like a copy of this report in large print or an alternative format, please call **01279 632227**.

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Website: **[www.motability.co.uk](http://www.motability.co.uk)**