



Motability
The leading car scheme for disabled people

Annual Accounts
2002/03

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Legal and Administrative Information

Constitution

Motability is a charity, incorporated by Royal Charter, registered under the Charities Act 1993 - no. 299745.

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: Sir John Quinton

Richard Bennison: appointed 4 November 2002

John Bishop: resigned 5 March 2003

Brian Carte TD

Sir Trevor Chinn CVO: appointed 4 November 2002

Robin Corner

Joseph Hennessy OBE

Sir Peter Large CBE

Bert Massie CBE

Professor Adrian V Stokes OBE

Director

Noel Muddiman CBE

Registered Office

Goodman House, Station Approach, Harlow, Essex, CM20 2ET

Auditors

Deloitte & Touche LLP, 180 Strand, London, WC2R 1BL

Bankers

Barclays Bank plc, Harlow Business Centre, Harlow, Essex, CM20 1ET

Solicitors

Lawrence Graham, 190 Strand, London, WC2R 1JN

Report of the Governors

for the year ended 31 March 2003

The Governors present their Annual Report and the audited financial statements of the Charity for the year ended 31 March 2003.

Mission and Strategy

Motability is a charity, incorporated by Royal Charter, registered under the Charities Act 1993. It was set up on the initiative of the Government, to provide vehicles and associated services to disabled people to enable them to achieve enhanced mobility. In particular, it helps disabled people entitled to the higher rate Mobility Component of the Disability Living Allowance to obtain the use of a car.

Motability's Strategic Plan for 2002-04 identifies five key strategic issues for Motability:

- Focusing on satisfying our customer's needs
- Meeting the challenge of mobility and inclusion
- Maintaining Motability's charitable ethos
- Protecting the future of the Motability Scheme
- Developing organisation capacity to achieve our mission.

Reserves

The results for the year show a net increase in unrestricted funds of £53,000 and a reduction in restricted funds of £131,000 making a total decrease in funds for the year of £78,000 (2002: £97,000 total decrease in funds). The total free reserves of £596,000 represents approximately two month's Charitable Grants expenditure. The Governors regularly review the level of reserves and consider the level of reserves prudent and justified.

A key donor is the Motability Tenth Anniversary Trust, an independent charity (registered number 328160) set up to provide long term support for Motability. Trustees are appointed by the Secretary of State for the Department for Work and Pensions, Motability and the banks.

Governors' Responsibilities Statement

The Governors, as Trustees, are required to prepare financial statements for each financial year. These should 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.

The Governors confirm that suitable accounting policies have been used and applied consistently and that reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 March 2003. The Governors also confirm that 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 2000) issued by the Charities Commission in October 2000.

Internal Control

The Governors have overall responsibility for ensuring that the Charity has in place an appropriate system of controls to provide reasonable assurance that:

- a) the Charity is operating efficiently and effectively;
- b) its assets are safeguarded against unauthorised use or loss;
- c) proper records are maintained and financial information used within the Charity or in publications is reliable;
- d) the Charity complies with relevant laws and regulations.

The Audit Committee examines the effectiveness of the systems of internal control on behalf of the Governors. This is achieved through reviews of:

- a) the reports arising from the Internal Audit Programme carried out by the Internal Audit Section;
- b) 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;
- c) Other risk control reports specifically requested by the Committee.

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

- a) a corporate plan and annual budget approved by the Governors;
- b) regular consideration by the Governors of actual results compared with budgets and forecasts;
- c) delegation of authority to spend within clearly defined limits;
- d) a regular review by the internal audit section of the risks faced by the Charity and the plans in place to control and mitigate risk.

The above procedures are in accordance with the recommendations for Internal Controls issued by the Charity Commission in July 1999.

Statement of Corporate Governance

Motability is committed to best practice in Corporate Governance. The Governors, who are the Trustees of the Charity, are subject to fixed term appointments and election or re-election according to procedures stipulated in the Royal Charter of Motability.

The Board of Governors currently consists of 11 Trustees and they are responsible for Motability's policy and strategic direction. Meetings are held quarterly or more frequently if required.

The Board of Governors acts with reference to advice from the Director of Motability and senior management, who are responsible for the day to day operation of the Charity.

The Audit Committee appointed by Governors meets not less than three times a year, to consider reports from both internal and external auditors. The Committee consists of three Governors under the chairmanship of the Honorary Treasurer of Motability.

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

Auditors

On 1 August 2003 Deloitte & Touche, the company's auditors, transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnership Act 2000. The company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP and hence the audit report has been signed in the name of Deloitte & Touche LLP. A resolution to reappoint Deloitte & Touche LLP will be proposed at the forthcoming Annual General Meeting.

By order of the Board

Lord Sterling of Plaistow GCVO CBE
Chairman

12 August 2003

Independent Auditors' Report to the Governors of Motability

We have audited the financial statements of Motability for the year ended 31 March 2003 which comprise the Consolidated Statement of Financial Activities, the Balance Sheets, the Consolidated Cash Flow Statement and the related notes numbered 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Charity's Governors, as a body, in accordance with Regulation 6 of the Charities (Accounts and Reports) Regulations 1995. 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 United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit of those statements, and to report our opinion to you. We have been appointed as auditors under section 43 of the Charities Act 1993 and report in accordance with regulations made under section 44 of that Act.

We report to you our opinions as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Charities Act 1993, Regulation 3 of the Charities (Accounts and Reports) Regulation 2000 and the Royal Charter.

We read other information contained in the annual report for the above year as described in the contents section and considered the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Opinion

We conducted our audit in accordance with United Kingdom Auditing Standards 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 by the Governors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Charity, 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.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the affairs of the Charity and the group as at 31 March 2003 and of the group's incoming resources and application of resources for the year then ended and they have also been properly prepared in accordance with the requirements of the Charities Act 1993, Regulation 3 of the Charities (Accounts and Reports) Regulations 2000 and the Royal Charter.

Deloitte & Touche LLP
Chartered Accountants
and Registered Auditors
180 Strand
London
WC2R 1BL

2 September 2003

Consolidated Statement of Financial Activities

for the year ended 31 March 2003

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total 2003 £'000	Total 2002 £'000
Incoming Resources					
Donations & Gifts		262	50	312	150
Legacies & Appeals		573	118	691	657
Events & Trading		180	-	180	305
Competitions & Raffles		1,194	-	1,194	1,215
Fundraising Income		2,209	168	2,377	2,327
Tenth Anniversary Trust	7 (c)	1,538	-	1,538	2,176
Government Grants Receivable	3	-	11,235	11,235	12,005
Lease Levy Income		-	6,184	6,184	5,631
Other Income	1(c) & 4	1,200	-	1,200	1,043
Deposit Interest		159	210	369	426
Total Incoming Resources	1 (a)	5,106	17,797	22,903	23,608
Resources Expended					
Cost of Generating Funds	5	1,053	-	1,053	1,120
Charitable Expenditure					
Charitable Grants		3,179	159	3,338	4,012
Government Grants	11	-	8,735	8,735	9,805
Support Costs	5	821	8,311	9,132	8,060
Management and Administration of the Charity		-	723	723	708
Total Charitable Expenditure		4,000	17,928	21,928	22,585
Total Resources Expended	1(b) & 5	5,053	17,928	22,981	23,705
Net Movement in Funds	6	53	(131)	(78)	(97)
Fund Balances brought forward at 1 April 2002		543	891	1,434	1,531
Fund balances carried forward at 31 March 2003		596	760	1,356	1,434

The group has no recognised gains or losses other than those shown in the consolidated statement of financial activities, and accordingly no statement of total recognised gains and losses is presented.

The notes on pages 8 to 20 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 2003

	Notes	Group		Charity	
		2003 £'000	2002 £'000	2003 £'000	2002 £'000
Fixed Assets	9	754	898	754	898
Current Assets					
Debtors	10	5,228	5,993	6,109	6,878
Longer term deposits	12	9,430	9,100	8,430	8,520
Cash and short term deposits	12	2,183	2,385	1,432	1,288
		16,841	17,478	15,971	16,686
Creditors: amounts falling due within one year	13	(14,085)	(14,845)	(13,214)	(14,052)
Net Current Assets		2,756	2,633	2,757	2,634
Total Assets less Current Liabilities		3,510	3,531	3,511	3,532
Creditors: amounts falling due after one year	14	(2,154)	(2,097)	(2,154)	(2,097)
Net Assets	16	1,356	1,434	1,357	1,435
Represented by:					
Restricted Funds	17	760	891	760	891
Unrestricted Funds		596	543	597	544
Total Funds		1,356	1,434	1,357	1,435

The notes on pages 8 to 20 form an integral part of the financial statements.

The financial statements on pages 5 to 20 were approved by the Board of Governors on the 12 August 2003 and were signed on its behalf by:

Lord Sterling of Plaistow GCVO CBE

Chairman

Sir John Quinton

Hon. Treasurer

Consolidated Cash Flow Statement

for the year ended 31 March 2003

	Notes	2003 £'000	2002 £'000	
Net cash inflow from operating activities	20	15	1,182	
Returns on investments and servicing of finance				
Interest received		369	426	
Net cash inflow from returns on investments and servicing of finance		369	426	
Capital expenditure				
Purchase of tangible fixed assets	9	(256)	(530)	
Net cash (outflow) from capital expenditure		(256)	(530)	
Management of liquid resources				
Longer term deposits		(330)	(2,875)	
(Decrease) in cash and short term deposits		(202)	(1,797)	
Reconciliation of net cash flow to movement in net cash				
		2003 £'000	2002 £'000	
(Decrease) in cash and short term deposits		(202)	(1,797)	
Cash inflow from liquid resources		330	2,875	
Movement in net cash in the year arising from cashflows		128	1,078	
Net cash at 1 April 2002		11,485	10,407	
Net cash at 31 March 2003		11,613	11,485	
Analysis of Cash				
		2003 £'000	2002 £'000	Cash Flow £'000
Longer term deposits (note 12)		9,430	9,100	330
Cash and short term deposits (note 12)		2,183	2,385	(202)
Net cash and Investments		11,613	11,485	128

The notes on pages 8 to 20 form an integral part of the financial statements.

Notes to the Financial Statements

for the year ended 31 March 2003

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 (Revised October 2000) issued by the Charities 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

Incoming resources are accounted for on a receivable basis.

b) Resources Expended

Grants to disabled people are recognised in the statement of financial activities when they have been approved and formally accepted by the beneficiary.

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.

Support costs relate to the costs of staff employed in support of grant making and the general operation of the schemes.

Central overheads are apportioned to operational and grant making functions on the basis of staff numbers employed. Management and administration costs relate to the financial management of the charity, general administration and compliance with constitutional and statutory requirements.

c) Other Income

Other income includes dealer accreditation fees to meet the costs arising from the First Class Suppliers' programme.

d) Depreciation

Depreciation is charged on tangible fixed assets on a straight-line basis as follows:

Office Equipment:	Five years
Computer hardware and software:	Three years

e) Fund Accounting

Unrestricted funds comprise the accumulated movement on charitable funds available for use at the discretion of the Governors.

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. The Fund balances at the year-end include the net book value of Fixed Assets.

Notes to the Financial Statements

for the year ended 31 March 2003 (continued)

1. Accounting policies (continued)

(f) Pension costs

The Charity operates a defined benefit pension scheme for certain employees. Contributions paid to the scheme are made in accordance with the recommendations of actuaries and are charged in the statement of financial activities, so as to provide an even charge over the average service lives of employees.

(g) Deferred income

Where incoming resources are received in advance of the service provided, the Charity does not recognise as income these resources until the goods or services are provided. The lease levy relates to income against which a service has to be carried out over the period of the lease and the Charity is not entitled to the income on receipt, but is only entitled to it as it is earned over the three year lease period.

2. Trading Activities of a Subsidiary

The Charity has a wholly owned trading subsidiary, Motability Enterprises Limited, which was 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.

Income and Expenditure Account	2003	2002
	£'000	£'000
Turnover	2,406	2,426
Less cost of sales	(1,372)	(1,381)
Gross Profit	1,034	1,045
Administration expenses	(7)	(7)
Interest receivable	43	51
Net Profit	1,070	1,089
Covenanted to Motability	(1,070)	(1,089)
Retained in Subsidiary	-	-

Turnover and cost of sales include an accreditation fee charged to dealers as part of the Motability 'First Class Suppliers' programme. This covered all the programme costs relating to inspections, information material and dealer training. The turnover also includes Fundraising events and raffles.

Notes to the Financial Statements

for the year ended 31 March 2003 (continued)

3. Government Grants Receivable

	2003 £'000	2002 £'000
Invalid Vehicle Scheme	866	926
War Pensioners	174	293
Specialised Vehicles Funds	7,695	8,586
Administration	2,500	2,200
	11,235	12,005

4. Other Income

	2003 £'000	2002 £'000
First Class Suppliers Programme – Dealer Fees (see below)	979	971
Other rebates	221	72
	1,200	1,043

Dealer accreditation fees meet the costs of the “First Class Suppliers” programme including dealer training, inspections and literature. These costs form part of Support Costs (note 5a).

5. Analysis of Total Resources Expended

	Staff Costs £'000	Premises £'000	Other £'000	Total 2003 £'000	Total 2002 £'000
Cost of Generating Funds:					
- Events & Trading	-	-	80	80	223
- Competitions & Raffles	-	-	419	419	441
- Fundraising Expenses	292	25	237	554	456
	292	25	736	1,053	1,120
Charitable Grants	-	-	3,338	3,338	4,012
Grants administered on behalf of DWP:					
- Invalid Vehicle Scheme	-	-	866	866	926
- War Pensions	-	-	174	174	293
- Specialised Vehicles Funds	-	-	7,695	7,695	8,586
	-	-	8,735	8,735	9,805
Support Costs (Note 5(a))	5,044	1,048	3,040	9,132	8,060
Management and Administration of the Charity	428	66	229	723	708
	5,764	1,139	16,078	22,981	23,705

Notes to the Financial Statements

for the year ended 31 March 2003 (continued)

5. Analysis of Total Resources Expended (continued)

(a) Support Costs

Support Costs relate to the administration costs in supporting Motability's grant making and main Scheme operational functions. These costs are met from specific Government Funding supplemented by a levy on the contract hire vehicle leases and dealer accreditation fees.

These costs support the various functions:

	2003	2002
	£'000	£'000
Charitable Grants	1,389	1,105
Government Grants	2,000	1,932
Main Scheme Operations	4,922	4,355
First Class Suppliers Programme	821	668
	9,132	8,060

6. Net Movement in Funds

The following have been charged in arriving at the above:

	2003	2002
	£'000	£'000
Auditors – Fees	18	16
Publicity expenses	529	428
Depreciation	400	353
Operating Lease Rentals	794	787

Motability is a charity and as such its income and gains are exempt from tax to the extent that they are applied to its charitable objects. There is no tax charge for the year.

7. Governors, staff and related parties

(a) Numbers and costs

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

	Numbers	Numbers
	2003	2002
Administration	267	260
Fundraising	12	11
Governors	11	9
	290	280

The aggregate payroll costs of these persons were as follows:

	2003	2002
	£'000	£'000
Salaries including benefits in kind	4,858	4,443
Social security costs	322	310
Pension costs	522	341
	5,702	5,094

Notes to the Financial Statements

for the year ended 31 March 2003 (continued)

7. Governors, staff and related parties (continued)

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

	2003	2002
£110,000 to £119,999	1	1
£80,000 to £89,999	1	-
£70,000 to £79,999	2	2
£60,000 to £69,999	2	3
£50,000 to £59,999	1	1

(b) Governors' emoluments

No Governor received any emoluments during the year. Five Governors (five in 2002) received reimbursement of travelling expenses amounting to £3,974 (£3,542 in 2002).

(c) Related parties

Mr Richard Bennison is a partner in KPMG LLP. Over the year the group engaged KPMG LLP to perform consultancy work on an arm's length basis at a cost of £34,750 (2002: £18,500).

During the year Mr John Bishop, who resigned as a Governor of Motability on 5 March 2003, was an unpaid director of Motability Finance Ltd (trading as Motability Operations), appointed at the request of the Charity.

Motability paid Motability Operations £6.845 million (2002 £5.957 million) in respect of grants awarded to customers, to fund advance payments on vehicles provided under the contract hire or hire purchase schemes. Motability also made payments to Motability Operations of £438,000 (2002 £387,000) for dealer training and inspections carried out under the 'First Class Suppliers' programme.

Motability received from Motability Operations £6.184 million (2002 £5.631 million) (Note 4) in respect of a Levy on the Leases to defray Motability's administration costs in processing applications and providing customer and dealer services. A further £221,000 (2002 £72,000) (Note 4) was received from Motability Operations as rebates, in respect of grant awards towards advance payments, where customers have terminated their hire agreements early and profits have been made on the subsequent vehicle sales.

(d) 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 objectives.

8. Fixed Asset Investment

Motability holds 100 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).

Notes to the Financial Statement

for the year ended 31 March 2003 (continued)

9. Fixed Assets

	Furniture and Office Equipment £'000	Computer hardware £'000	Computer software £'000	Total £'000
Cost				
Balance at 1 April 2002	248	1,000	1,550	2,798
Additions	11	33	212	256
Disposals	-	(1)	-	(1)
At 31 March 2003	259	1,032	1,762	3,053
Depreciation				
Balance at 1 April 2002	182	886	832	1,900
Charge for the year	24	58	318	400
Disposals	-	(1)	-	(1)
At 31 March 2003	206	943	1,150	2,299
Net book value				
At 31 March 2003	53	89	612	754
At 31 March 2002	66	114	718	898
The net book value at 31 March 2003 represents tangible fixed assets used for: -				
Fundraising	-	3	3	6
Direct charitable purposes	53	86	609	748
	53	89	612	754

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

Capital Expenditure in 2003 includes IT expenditure on the enhancement of the software to support the Scheme database for grants, applications and customer service.

10. Debtors

	Group		Charity	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Amounts owed by DWP in respect of:				
Invalid Vehicle Scheme (note 11 (a))	380	714	380	714
War Pensioners (note 11(b))	149	260	149	260
Specialised Vehicles Funds (note 11(c))	3,932	3,646	3,932	3,646
Other debtors	484	1,173	438	1,050
Prepayments and accrued income	283	200	140	117
Due from Subsidiary	-	-	1,070	1,091
	5,228	5,993	6,109	6,878

Notes to the Financial Statements

for the year ended 31 March 2003 (continued)

11. Government Funded Grants

This note details the transactions with the Department for Work and Pensions (DWP) and Department of Health (DH) relating to the grants made for the purpose of assisting disabled people to participate in the Motability Scheme and the contribution by the DWP towards the administration costs in relation to Government Funded Grants.

(a) Grants to drivers of three wheeled vehicles (Invalid Vehicle Scheme)

	2003 £'000	2002 £'000
Amounts (owed by) DWP and DH at 1 April	(714)	(206)
Grant received	1,200	418
Grants to disabled drivers	(866)	(926)
Amounts (owed by) DWP and DH at 31 March (note 10 and 13)	(380)	(714)

(b) Grants to War Pensioners

	2003 £'000	2002 £'000
Amounts (owed by) DWP at 1 April	(260)	(178)
Grant received	285	211
Grants to disabled people	(174)	(293)
Amounts (owed by) DWP at 31 March (note 10)	(149)	(260)

(c) Specialised Vehicles Funds - grants to disabled people

	2003		2002	
	£'000	£'000	£'000	£'000
Amount (owed by) DWP at 1 April		(3,646)		(1,824)
Grant received from DWP	7,400		6,750	
Bank charges and interest	9		14	
		7,409		6,764
Grants to disabled people		(7,695)		(8,586)
Amounts (owed by) DWP at 31 March (note 10)		(3,932)		(3,646)

(d) Administration

	2003 £'000	2002 £'000
Amount (owed by) DWP at 1 April	-	-
Grant received from DWP	2,500	2,200
Administration costs	(2,500)	(2,200)
Amounts (owed by) DWP at 31 March (note 10)	-	-

Notes to the Financial Statements

for the year ended 31 March 2003 (continued)

12. Cash and term deposits

	Group		Charity	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Funds held by Motability	7,431	7,106	5,680	5,429
Amounts held by way of customer deposits	4,088	4,312	4,088	4,312
Amounts held in respect of:				
Invalid Vehicle Scheme	43	22	43	22
War Pensioners	10	-	10	-
Specialised Vehicles Funds	41	45	41	45
	11,613	11,485	9,862	9,808
Representing:				
Longer term deposits	9,430	9,100	8,430	8,520
Cash and Short term deposits	2,183	2,385	1,432	1,288
	11,613	11,485	9,862	9,808

Customer deposits represent amounts lodged and held separately by Motability on behalf of customers, where the period of their Disability Living Allowance (DLA) is less than the period of the lease agreed for their vehicle and this amount is held to cover any potential shortfall. The deposit together with any accrued interest, is repaid to the customer once Motability is notified that the DLA covers the period of the lease.

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

13. Creditors: amounts falling due within one year

	Group		Charity	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Customer deposits	4,088	4,312	4,088	4,312
Authorised grants awaiting payment:				
Charitable Grants	1,168	1,647	1,168	1,647
Specialised Vehicles Funds	3,995	3,713	3,995	3,713
Invalid Vehicle Scheme	423	735	423	735
War Pensioners	159	260	159	260
Income tax	34	39	34	39
Other taxes	125	154	88	115
Other creditors and accruals	958	1,118	695	841
Deferred income	3,135	2,867	2,564	2,390
	14,085	14,845	13,214	14,052

Deferred income includes £2.554 million in respect of deferred lease levy income (2002 £2.376 million).

Notes to the Financial Statements

for the year ended 31 March 2003 (continued)

14. Creditors: amounts falling due after one year

	Group		Charity	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Accrued expenses and deferred income	2,154	2,097	2,154	2,097

Includes £1.952 million in respect of deferred lease levy income (2002 £1.876 million).

15. Deferred Lease Levy

A lease levy charge included in each contract hire lease to partially recover Motability's administration costs is received from Motability Operations as a single payment at lease inception. Income is then recognised by Motability over the three year lease period and future income is deferred.

	2003		2002	
	Within 1 year £'000	After 1 year £'000	Within 1 year £'000	After 1 year £'000
Opening Balance	2,376	1,876	1,916	1,856
Invoiced	4,926	1,512	4,692	1,418
Income recognised from current year	(3,808)	-	(3,714)	-
Income recognised from previous years	(2,376)	-	(1,916)	-
Movement from after one year to within one year	1,436	(1,436)	1,398	(1,398)
Closing Balance	2,554	1,952	2,376	1,876

16. Analysis of Group Net Assets between Funds

	Unrestricted	Restricted	Total
	Funds £'000	Funds £'000	Funds £'000
Fund Balances at 31 March 2003 are represented by:			
Tangible fixed assets	6	748	754
Current assets	2,615	14,226	16,841
Current liabilities	(2,025)	(12,060)	(14,085)
Creditors over one year	-	(2,154)	(2,154)
Total Net Assets	596	760	1,356

Notes to the Financial Statements

for the year ended 31 March 2003 (continued)

17. 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.

Movement in Funds:

	Balance 31/3/02	Incoming Resources	Expenditure gains and losses	Balance 31/3/03
	£'000	£'000	£'000	£'000
Donations and Appeals	3	168	(159)	12
Government funding and other income in relation to:				
- Administration costs	888	8,894	(9,034)	748
Other Government Funding:				
- Invalid Vehicle Scheme	-	866	(866)	-
- War Pensioners	-	174	(174)	-
- Specialised Vehicles Funds	-	7,695	(7,695)	-
	891	17,797	(17,928)	760

Donations and appeals represent monies received to which the donor reserves a specific purpose. Details of the Government funds are shown in Note 11. The balance held under Administration Costs represents the net book value of fixed assets used for direct charitable purposes.

18. 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 company's assets. Payments to the scheme are made in accordance with the recommendations of qualified actuaries.

The Pension cost to the Charity was £522,152 (2002: £341,475), including a one-off additional contribution of £130,000.

The latest actuarial valuation was prepared using the "Projected Unit" method, as at 31 March 2001.

This valuation used the following assumptions:

	%
Investment return in deferment	6.6
Investment return in payment	5.6
Salary increases	4.1
Pension increases (3% for GMP)	2.1

At 31 March 2001 the market value of the scheme's assets was £2,607,854, the level of funding was 101% (MFR Funding level 135%) and the scheme had an actuarial surplus of £28,000. It was agreed that the employers' contribution remain at 11.9%.

Notes to the Financial Statements

for the year ended 31 March 2003 (continued)

18. Pension arrangements (continued)

Additional disclosures regarding the group's defined benefit pension scheme are required under the transitional provisions of FRS 17 "Retirement benefits" and these are set out below. The disclosures relate to the second year of the transitional provisions. They provide information which will be necessary for full implementation of FRS 17 (date of full implementation currently deferred).

A qualified actuary using revised assumptions that are consistent with the requirements of FRS 17 has updated the actuarial valuation described above at 31 March 2003. Investments have been valued for this purpose at fair value.

The major assumptions used for the actuarial valuation were:

	2003	2002
	%	%
Rate of increase in salaries	4.5	4.5
Rate of increase in pensions in payment	2.5	2.5
Discount rate	5.75	6.0
Inflation assumption	2.5	2.5

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:

	2003	2003	2002	2002
	%	£'000	%	£'000
Equities	7.0	2,150	7.3	2,470
Bonds	5.0	348	6.3	334
Property	6.0	31	6.3	30
Cash	3.0	292	4.3	141
Other	-	-	-	6
Total fair value of assets		2,821		2,981
Present value of scheme liabilities		(4,928)		(3,572)
Net pension liability		(2,107)		(591)

The contribution rate for 2003 was 11.9% of pensionable earnings and the agreed contribution rates from 1 April 2003 is 14.7% of pensionable earnings.

The movement in the scheme's deficit over the year to 31 March 2003 is summarised as follows:

	2003
	£'000
Deficit at 31 March 2002	(591)
Movement in the Year	
Employer's contributions	546
Other finance income	(6)
Current service cost	(587)
Past service cost	-
Actuarial loss	(1,469)
Deficit at 31 March 2003	(2,107)

Notes to the Financial Statements

for the year ended 31 March 2003 (continued)

18. Pension arrangements (continued)

Analysis of the amount that would have been charged to operating profit under FRS 17:

	2003
	£'000
Current service cost	587
Past service cost	-
Gain (loss) on settlements and curtailments	-
	587

Analysis of the amount that would have been credited to net finance charges under FRS 17:

	2003
	£'000
Expected return on pension scheme assets	208
Interest on pension scheme liabilities	(214)
	(6)

Analysis of the actuarial loss that would have been recognised in the statement of total recognised gains and losses:

	2003
	£'000
Actual return less expected return on pension scheme assets	(1,000)
Experience gains and losses arising on the scheme liabilities	151
Changes in assumptions underlying the present value of the scheme liabilities	(620)
	(1,469)

The analysis of the reserves that would have arisen if FRS 17 had been fully implemented is as follows:

	2003
	£'000
Reserves excluding pension liability	1,356
Amount relating to defined benefit pension scheme liability	(2,107)
Reserves including pension liability	(751)

Notes to the Financial Statements

for the year ended 31 March 2003 (continued)

19. Commitments

Operating Leases

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

	Premises		Other	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Within one year	-	-	5	19
Between one and five years	64	-	178	150
Over five years	574	638	-	-
	638	638	183	169

Grants

Grants authorised but not yet formally accepted by beneficiaries amounted to £1,117,300 (2002 £1,966,478). These amounts are not charged within the Accounts.

20. Reconciliation of net movement in funds with the net inflow from operating activities

	2003 £'000	2002 £'000
Net Movement in funds	(78)	(97)
Interest receivable	(369)	(426)
Decrease / (Increase) in debtors	606	(94)
Decrease / (Increase) in amount owing by DWP/DH	159	(2,412)
Increase in creditors	131	241
(Decrease) / Increase in customer deposits	(224)	429
(Decrease) / Increase in authorised grants awaiting payment	(610)	3,188
Depreciation	400	353
Net inflow from operating activities	15	1,182

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