

Annual Accounts 2003/04

freedom to enjoy life



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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.

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
appointed 10 February 2004

Sir John Quinton
resigned 10 February 2004

Brian Carte TD
Sir Trevor Chinn CVO
Robin Corner
Joseph Hennessy OBE
Sir Peter Large CBE
Bert Massie CBE
Sir John Quinton
Professor Adrian V Stokes OBE

Director

Don Brereton CB
appointed 5 January 2004

Noel Muddiman CBE
retired 5 January 2004

Registered Office

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

Auditors

Deloitte & Touche LLP,
Hill House,
1 Little New Street,
London EC4A 3TR

Bankers

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

Solicitors

Lawrence Graham LLP,
190 Strand,
London WC2R 1JN

Report of the Governors

for the year ended 31 March 2004

The Governors present their Annual Report and the audited financial statements of the Charity for the year ended 31 March 2004.

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 enables disabled people entitled to the Higher Rate Mobility Component of the Disability Living Allowance, or War Pensioners' Mobility Supplement to obtain the use of a car, powered wheelchair or scooter through the Motability Scheme. Motability's mission is to 'provide vehicles and associated services to disabled people to enable them to achieve enhanced mobility'.

For further details on how the Motability Scheme operates, please see page 30.

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

- Focusing on satisfying our customers' 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.

A key donor is the Motability Tenth Anniversary Trust, an independent charity (registered number 328160) set up to sustain and develop the Motability Scheme. Trustees are appointed by the Secretary of State for the Department for Work and Pensions, Motability and Motability Finance Ltd, (trading as Motability Operations), a private limited company owned by five major clearing banks.

The achievements against the strategic plan and targets for future performance are contained within the Annual Report for 2003/04. Copies of these can be obtained from the Secretary, Motability, Goodman House, Station Approach, Harlow, Essex CM20 2ET, or via the internet at www.motability.co.uk.

Reserves

The reserves policy requires two month's Charitable expenditure to be held in unrestricted reserves. As at 31 March 2004, unrestricted reserves totalled £527,000 which is in line with the above policy. This does not take into account adjustments that will be required on full implementation of FRS 17.

The results for the year show a net increase in unrestricted funds of £65,000 and an increase in restricted funds of £66,000 making a total increase in funds for the year of £131,000 (2003: £78,000 total decrease in funds). The accounting policies are detailed at note 1(d).

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 2004. 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 Charity Commission in October 2000.

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.

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;
- e. all major risks are identified together with controls to minimise their impact.

The Audit Committee examines the effectiveness of the systems of internal control in mitigating risks 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. the risk register and actions taken to reduce the likelihood and impact arising from risk scenarios.

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.

Report of the Governors continued

Statement of Risk Assessment

The Board of Governors has reviewed all material risks which have been identified by the processes referred to above together with the controls in place and is satisfied that appropriate control systems have been established to mitigate those risks.

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 two 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

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

21 September 2004

Independent Auditors' Report

to the Governors of Motability

We have audited the financial statements of Motability for the year ended 31 March 2004 which comprise the Consolidated Statement of Financial Activities, the Balance Sheets, the Consolidated Cash Flow Statement and the related notes numbered 1 to 21. 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.

Independent Auditors' Report continued

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 2004 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, London**

28 September 2004

Consolidated Statement of Financial Activities

for the year ended 31 March 2004

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total 2004 £'000	Restated Total 2003 £'000
Incoming Resources					
Donations and Gifts		84	36	120	312
Legacies and Appeals		540	129	669	691
Events and Trading		463	–	463	180
Competitions and Raffles		1,298	–	1,298	1,194
Fundraising Income		2,385	165	2,550	2,377
Tenth Anniversary Trust	7(e)	1,500	–	1,500	1,538
Government Grants Receivable	3	–	9,139	9,139	11,235
Lease Levy Income		–	4,577	4,577	6,184
Other Income	4	998	–	998	1,027
Deposit Interest		126	173	299	369
Total Incoming Resources	1 (a)	5,009	14,054	19,063	22,730
Resources Expended					
Cost of Generating Funds	1(b) & 5	1,231	–	1,231	1,053
Charitable Expenditure:					
Charitable Grants		2,897	216	3,113	3,299
Government Grants	11	–	6,059	6,059	8,601
Support Costs	5	816	7,489	8,305	9,645
Governance and Strategic Management Costs	5	–	224	224	210
Total Charitable Expenditure		3,713	13,988	17,701	21,755
Total Resources Expended	1(b) & 5	4,944	13,988	18,932	22,808
Net Movement in Funds	6	65	66	131	(78)
Restated Fund Balances brought forward at 1 April 2003		462	894	1,356	1,434
Fund Balances carried forward at 31 March 2004		527	960	1,487	1,356

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 12 to 29 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 2004

	Notes	Group		Charity	
		2004 £'000	Restated 2003 £'000	2004 £'000	Restated 2003 £'000
Fixed Assets	9	399	754	399	754
Current Assets					
Debtors	10	3,913	5,228	4,752	6,109
Longer term deposits	12	6,385	9,430	6,385	8,430
Cash and short term deposits	12	2,299	2,183	1,479	1,432
		12,597	16,841	12,616	15,971
Creditors: amounts falling due within one year	13	(9,034)	(14,085)	(9,057)	(13,214)
Net Current Assets		3,563	2,756	3,559	2,757
Total Assets less Current Liabilities		3,962	3,510	3,958	3,511
Creditors: amounts falling due after one year	14	(2,475)	(2,154)	(2,475)	(2,154)
Net Assets	16	1,487	1,356	1,483	1,357
Represented by:					
Restricted Funds	17	960	894	960	894
Unrestricted Funds		527	462	523	463
Total Funds		1,487	1,356	1,483	1,357

The notes on pages 12 to 29 form an integral part of the financial statements.

The financial statements on pages 9 to 29 were approved by the Board of Governors on 21 September 2004 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 2004

	Notes	2004 £'000	2003 £'000
Net cash (outflow)/inflow from operating activities	20	(3,109)	15
Returns on investments and servicing of finance			
Interest received		299	369
Net cash inflow from returns on investments and servicing of finance		299	369
Capital expenditure			
Purchase of tangible fixed assets	9	(119)	(256)
Net cash outflow from capital expenditure		(119)	(256)
Management of liquid resources			
Longer term deposits		3,045	(330)
Increase/(decrease) in cash and short term deposits		116	(202)

Reconciliation of net cash flow to movement in net funds	2004 £'000	2003 £'000
Increase/(decrease) in cash and short term deposits	116	(202)
Cash (outflow)/inflow from liquid resources	(3,045)	330
Movement in net cash in the year arising from cashflows	(2,929)	128
Net funds at 1 April 2003	11,613	11,485
Net funds at 31 March 2004	8,684	11,613

Analysis of net funds	2003 £'000	Cash Flow £'000	2004 £'000
Longer term deposits (note 12)	9,430	(3,045)	6,385
Cash and short term deposits (note 12)	2,183	116	2,299
Net funds and investments	11,613	(2,929)	8,684

The notes on pages 12 to 29 form an integral part of the financial statements.

Notes to the Financial Statements

for the year ended 31 March 2004

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 Charity Commission and applicable Accounting Standards in the United Kingdom. A summary of accounting policies consistently applied, is set out below:

Governance and strategic management costs include audit fees, legal advice for trustees and costs associated with constitutional and statutory requirements. Costs relating to the financial administration of the Charity are no longer included, therefore, the comparatives for 2002/03 have been reduced by £513,000.

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*

During the year, income received from the early termination of grant funded vehicles was reclassified as a reduction of grant expenditure as opposed to other income. Accordingly, the comparatives for 2002/03 have been reduced by £173,000.

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. Governance and strategic management costs relate to the financial management of the Charity, and compliance with constitutional and statutory requirements.

During the year, income received from the early termination of grant funded vehicles was reclassified as a reduction of grant expenditure as opposed to other income. Accordingly, the comparatives for 2002/03 have been reduced by £173,000.

c. *Fixed Assets*

Assets are included on the balance sheet at cumulative historic cost less depreciation and any impairments in accordance with FRS 15. 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:

Office equipment: Five years

Computer hardware and software: Three years

Vehicles: Three years

d. *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.

e. *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.

f. *Deferred Income*

The Charity recognises income when goods and services are provided. Income is accounted for on the basis of entitlement, certainty of receipt and measurability.

Notes to the Financial Statements continued

2. Trading Activities of the 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	2004 £'000	2003 £'000
Turnover	2,597	2,406
Less cost of sales	(1,611)	(1,372)
Gross profit	986	1,034
Administration expenses	(10)	(7)
Interest receivable	43	43
Net profit	1,019	1,070
Gift aided to Motability	(1,014)	(1,070)
Retained in Subsidiary	5	-

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

3. Government Grants Receivable

	2004 £'000	2003 £'000
Invalid Vehicle Scheme	364	866
War Pensioners	288	174
Specialised Vehicles Funds	5,887	7,695
Administration	2,600	2,500
	9,139	11,235

4. Other Income

	2004 £'000	Restated 2003 £'000
First Class Suppliers Programme – Dealer Fees (see below)	956	979
Other rebates	42	48
	998	1,027

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 5c).

5. Analysis of Total Resources Expended

	Staff Costs £'000	Premises £'000	Other £'000	Total 2004 £'000	Restated Total 2003 £'000
Cost of Generating Funds:					
– Events and Trading	–	–	230	230	80
– Competitions and Raffles	–	–	510	510	419
– Fundraising Expenses	313	25	153	491	554
(Note 5a)	313	25	893	1,231	1,053
Charitable Grants			3,113	3,113	3,299
Grants administered on behalf of DWP:					
– Invalid Vehicle Scheme	–	–	310	310	866
– War Pensions	–	–	288	288	174
– Specialised Vehicles Funds (Note 5b)	–	–	5,461	5,461	7,561
	–	–	6,059	6,059	8,601
Support Costs (Note 5c)	4,392	1,039	2,874	8,305	9,645
Governance and Strategic Management Costs	85	7	132	224	210
	4,790	1,071	13,071	18,932	22,808

Notes to the Financial Statements continued

a. *Cost of Generating Funds*

The cost of generating funds of £1,231,000 relates solely to the fundraising income of £2,550,000 shown on page 9. Cost increased during the year reflecting the Silver Jubilee events and the need to invest in donor recruitment in order to maintain responses to direct mailing campaigns. As a result the ratio of cost to income has marginally increased.

b. *Specialised Vehicles Funds*

The fall in grants administered for the Specialised Vehicles Fund (SVF) is due to a significant fall in the average value of grants given. The price reductions throughout the Motability Scheme have impacted favourably on the vehicles used within the SVF.

c. *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.

This year, governance and strategic management costs have been separately identified and as a result support costs have been restated by £513,000 and allocated to the appropriate functions.

These costs support the various functions:

	2004 £'000	Restated 2003 £'000
Charitable Grants	1,370	1,477
Government Grants	2,124	2,122
Main Scheme Operations	3,995	5,225
First Class Suppliers Programme	816	821
	8,305	9,645

6. Net Movement in Funds

The following have been charged in arriving at the above:

	2004 £'000	2003 £'000
Auditors – Fees for the Statutory Audit	18	18
Publicity Expenses	582	529
Depreciation	473	400
Operating Lease Rentals	821	794

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:

	2004 Number	2003 Number
Administration	169	267
Fundraising	10	12
Governors	11	11
	190	290

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

	2004 £'000	2003 £'000
Salaries including benefits in kind	3,686	4,858
Staff restructure programme	309	–
Social security costs	293	322
Pension costs	436	522
Other staff costs	132	148
	4,856	5,850

Other staff costs include training, recruitment and payroll bureau costs. This is greater than staff costs in note 5 due to the value of benefits in kind.

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

	2004	2003
£110,000 to £119,999	1	1
£90,000 to £99,999	1	–
£80,000 to £89,999	–	1
£70,000 to £79,999	4	2
£60,000 to £69,999	–	2
£50,000 to £59,999	3	1

Notes to the Financial Statements continued

b. *Governors' emoluments*

No Governor received any emoluments during the year. Four Governors (five in 2002/03) received reimbursement of travelling expenses amounting to £2,294 (£3,974 in 2002/03).

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 any wrongful act in the performance of their professional services.

d. *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 £5,250 (2003: £34,750).

Motability paid Motability Operations £6.309 million (2003: £6.845 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 £549,032 (2003: £438,000) for dealer training and inspections carried out under the 'First Class Suppliers' programme.

Motability received from Motability Operations £4.577 million (2003: £6.184 million) 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 £374,626 (2003: £221,000) 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.

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 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).

9. Fixed Assets

	Furniture and Office Equipment £'000	Computer Hardware £'000	Computer Software £'000	Vehicles £'000	Total £'000
Cost					
Balance at 1 April 2003	259	1,032	1,762	–	3,053
Additions	–	28	80	11	119
Disposals	(1)	(47)	(187)	–	(235)
At 31 March 2004	258	1,013	1,655	11	2,937
Depreciation					
Balance at 1 April 2003	206	943	1,150	–	2,299
Charge for the year	17	56	397	3	473
Disposals	–	(47)	(187)	–	(234)
At 31 March 2004	223	952	1,360	3	2,538
Net book value					
At 31 March 2004	35	61	295	8	399
At 31 March 2003	53	89	612	–	754

The net book value at 31 March 2004 represents tangible fixed assets used for:

Fundraising	–	1	5	–	6
Direct charitable purposes	35	59	291	8	393
	35	60	296	8	399

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

Capital expenditure in 2003/04 includes IT expenditure on the enhancement of the software to support the Scheme database for grants, as well as new hardware for network enhancement.

Notes to the Financial Statements continued

10. Debtors

	Group		Charity	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Amounts owed by DWP in respect of:				
Invalid Vehicle Scheme (note 11a)	181	380	181	380
War Pensioners (note 11b)	155	149	155	149
Specialised Vehicles Funds (note 11c)	2,511	3,932	2,511	3,932
Other Debtors	736	484	643	438
Prepayments and accrued income	330	283	248	140
Due from subsidiary	–	–	1,014	1,070
	3,913	5,228	4,752	6,109

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. Invalid Vehicle Scheme – grants to disabled people

	2004 £'000	2003 £'000
Amounts (owed by) DWP and DH at 1 April	(380)	(714)
Grant received	563	1,200
Cash reserves carried forward	(54)	–
Grants to disabled drivers	(310)	(866)
Amounts (owed by) DWP and DH at 31 March (note 10)	(181)	(380)

b. Grants to War Pensioners

	2004 £'000	2003 £'000
Amounts (owed by) DWP at 1 April	(149)	(260)
Grant received	282	285
Cash reserves carried forward	–	–
Grants to disabled people	(288)	(174)
Amounts (owed by) DWP at 31 March (note 10)	(155)	(149)

c. Specialised Vehicles Funds – grants to disabled people

	2004		Restated 2003	
	£'000	£'000	£'000	£'000
Amounts (owed by) DWP at 1 April		(3,932)		(3,646)
Grant received from DWP	7,300		7,400	
Bank charges and interest	7		9	
Cash reserves carried forward	(425)		(134)	
Grants to disabled people (note 5b)		6,882 (5,461)		7,275 (7,561)
Amounts (owed by) DWP at 31 March (note 10)		(2,511)		(3,932)

d. Administration

	2004 £'000	2003 £'000
Amounts (owed by) DWP at 1 April	–	–
Grant received from DWP	2,600	2,500
Administration costs	(2,600)	(2,500)
Amounts (owed by) DWP at 31 March	–	–

Notes to the Financial Statements continued

12. Cash and term deposits

	Group		Charity	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Funds held by Motability	6,859	7,431	6,039	5,680
Amounts held by way of customer deposits	1,202	4,088	1,202	4,088
Amounts held in respect of:				
• Invalid Vehicle Scheme	55	43	55	43
• War Pensioners	9	10	9	10
• Specialised Vehicles Funds	559	41	559	41
	8,684	11,613	7,864	9,862
Representing:				
Longer term deposits	6,385	9,430	6,385	8,430
Cash and short term deposits	2,299	2,183	1,479	1,432
	8,684	11,613	7,864	9,862

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. The decision was taken during 2003/04 to return the deposits held to customers and for no new deposits to be taken. By the end of 2003/04 over 70% of the funds held had been returned.

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	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Customer deposits	1,191	4,088	1,191	4,088
Authorised grants awaiting payment:				
• Charitable Grants	1,128	1,168	1,128	1,168
• Specialised Vehicles Funds	2,579	3,995	2,579	3,995
• Invalid Vehicle Scheme	181	423	181	423
• War Pensioners	165	159	165	159
Other creditors and accruals	997	1,117	1,057	817
Deferred income	2,793	3,135	2,756	2,564
	9,034	14,085	9,057	13,214

14. Creditors: amounts falling due after one year

	Group		Charity	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Accrued expenses and deferred income	2,475	2,154	2,475	2,154

15. Deferred income

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

Other income relates to monies received in advance from dealers for First Class Suppliers accreditation and fundraising events.

Notes to the Financial Statements continued

	Group 2004		Charity 2004		Group 2003	
	Within 1 Year £'000	After 1 Year £'000	Within 1 Year £'000	After 1 Year £'000	Within 1 Year £'000	After 1 Year £'000
Lease Levy						
Opening Balance	2,554	1,952	2,554	1,952	2,376	1,876
Invoiced	2,861	1,827	2,861	1,827	4,926	1,512
Income recognised from current year	(1,614)	–	(1,614)	–	(3,808)	–
Income recognised from previous years	(2,553)	–	(2,553)	–	(2,376)	–
Movement from after one year to within one year	1,498	(1,498)	1,498	(1,498)	1,436	(1,436)
Closing Balance	2,746	2,281	2,746	2,281	2,554	1,952
Other Income						
First Class Suppliers Income	37	–	–	–	–	–
Other Income	10	7	10	7	581	–
Total Deferred Income	2,793	2,288	2,756	2,288	3,135	1,952

16. Analysis of Group Net Assets between Funds

	Unrestricted Funds £'000	Restricted Funds £'000	Total Funds £'000
Fund balances at 31 March 2004 are represented by:			
Tangible fixed assets	13	386	399
Current assets	2,753	9,844	12,597
Current liabilities	(2,234)	(6,800)	(9,034)
Creditors over one year	(5)	(2,470)	(2,475)
Total Net Assets	527	960	1,487

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:

	Restated Balance 31/3/2003 £'000	Incoming Resources £'000	Expenditure, gains and losses £'000	Balance 31/3/2004 £'000
Donations and appeals	12	165	(216)	(39)
Government funding and other income in relation to:				
• Administration costs	748	7,350	(7,713)	385
Other Government Funding:				
• Invalid Vehicle Scheme	–	364	(310)	54
• War Pensioners	–	288	(288)	–
• Specialised Vehicles Funds	134	5,887	(5,461)	560
	894	14,054	(13,988)	960

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.

During the year, income received from the early termination of grant funded vehicles was reclassified as a reduction of restricted grant expenditure as opposed to unrestricted other income. This restricted reserves previously classified as unrestricted. Accordingly, the comparatives for 2002/03 have been increased by £134,000.

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

The pension cost to the Charity was £435,758 (2003: £522,152, including a one-off additional contribution of £130,000).

Notes to the Financial Statements continued

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 would remain at 11.9%.

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 third 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 2004. Investments have been valued for this purpose at fair value.

The major assumptions used for the actuarial valuation were:

	2004 %	2003 %	2002 %
Rate of increase in salaries	4.25	4.5	4.5
Rate of increase in pensions in payment	2.75	2.5	2.5
Discount rate	5.75	5.75	6.0
Inflation assumption	2.75	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:

	2004 %	2004 £'000	2003 %	2003 £'000	2002 %	2002 £'000
Equities	7.0	2,959	7.0	2,149	7.3	2,470
Bonds	5.5	830	5.0	348	6.3	334
Property	–	–	6.0	31	6.3	30
Cash	3.0	63	3.0	292	4.3	141
Other	–	–	–	–	–	6
Total fair value of assets		3,852		2,820		2,981
Present value of scheme liabilities		(5,504)		(4,928)		(3,572)
Net pension liability		(1,652)		(2,108)		(591)

The contribution rate for 2004 was 14.7% of pensionable earnings and the agreed contribution rate from 1 April 2004 is 14.7% of pensionable earnings.

The movement in the scheme's deficit over the year to 31 March 2004 is summarised as follows:

	2004 £'000	2003 £'000
Deficit at 31 March 2003	(2,108)	(591)
Movement in the year		
• Employer's contributions	448	545
• Other finance income	(105)	(6)
• Current service cost	(589)	(587)
• Past service cost	–	–
• Actuarial loss	702	(1,469)
Deficit at 31 March 2004	(1,652)	(2,108)

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

	2004 £'000	2003 £'000
Current service cost	589	587
Past service cost	–	–
Gain (loss) on settlements and curtailments	–	–
	589	587

Notes to the Financial Statements continued

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

	2004 £'000	2003 £'000
Expected return on pension scheme assets	178	208
Interest on pension scheme liabilities	(283)	(214)
	(105)	(6)

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

	2004 £'000	2003 £'000
Actual return less expected return on pension scheme assets	403	(1,000)
Experience gains and losses arising on the scheme liabilities	356	151
Changes in assumptions underlying the present value of the scheme liabilities	(57)	(620)
	702	(1,469)

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

	2004 £'000	Restated 2003 £'000
Unrestricted reserves excluding pension liability	527	462
Amount relating to defined benefit pension scheme liability	(1,652)	(2,108)
Reserves	(1,125)	(1,646)

Prior year has been restated to reflect the change in restricted funds as shown in note 17. The defined benefit pension scheme liability has now been compared to unrestricted reserves, recognising that restricted reserves cannot be utilised against this liability.

In relation to the potential deficit in reserves noted above, the Governors implemented increased contributions in the year, designed to recover the deficit over a 15 year period in line with actuarial advice. In addition, a detailed review will be undertaken of the next triennial valuation to determine the effectiveness of the increase and consider any further actions required.

19. Commitments

Operating Leases

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

	Premises 2004 £'000	Premises 2003 £'000	Other 2004 £'000	Other 2003 £'000
Within one year	–	–	20	5
Between one and five years	–	64	175	178
Over five years	601	574	–	–
	601	638	195	183

Grants

Grants authorised but not yet formally accepted by beneficiaries amounted to £854,778 (2002/2003: £1,117,300). These amounts are not charged within the Accounts.

20. Reconciliation of net movement in funds with the net (outflow)/inflow from operating activities

	2004 £'000	2003 £'000
Net movement in funds	131	(78)
Interest receivable	(299)	(369)
(Increase)/decrease in debtors	(298)	606
Decrease in amount owing by DWP/DH	1613	159
(Decrease)/increase in creditors	(141)	131
Decrease in customer deposits	(2,897)	(224)
Decrease in authorised grants awaiting payment	(1,692)	(610)
Depreciation	474	400
Net (outflow)/inflow from operating activities	(3,109)	15

The decrease in customer deposits during 2003/04 reflects the decision to return funds held and for no new deposits to be taken. By 31 March 2004, over 70% of funds had been returned.

21. 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. To this end, it determines its 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 services 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 Operations is a private limited company owned by five major clearing banks which 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.

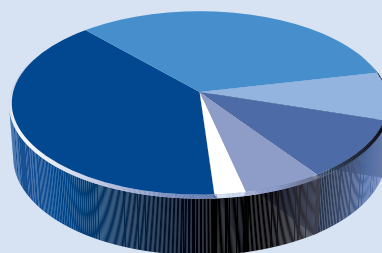
It provides vehicles to Scheme customers under either a contract hire or hire purchase agreement, where customers' payments are met principally by the diversion of all, or part, of their Higher Rate Mobility Component of Disability Living

Allowance or War Pensioners' Mobility Supplement to Motability Operations for the duration of the agreement.

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	2004
■ Depreciation	39.5%
■ Fleet Insurance	33.1%
■ Funding Costs	10.5%
■ Maintenance	8.4%
■ Administration	6.1%
■ 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 Vehicle Fund which provides financial assistance to customers who need to travel in their wheelchairs, 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, the majority of which is ultimately owned by the Enham Trust, a charity committed to improving opportunities for disabled people.

r2m offers a wide variety of powered wheelchairs and scooters to customers under hire purchase 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 2003/04, please refer to the main Annual Report, which is available by calling 01279 632227. Alternatively it can be downloaded from our website at: 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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