Motability Operations
Group plc

Half Year Report
for the six months ended 31 March 2013

Who we are

Motability Operations is the operator of the Motability Car Scheme and the Powered Wheelchair and Scooter Scheme. The Motability Scheme enables disabled people to exchange either their Higher Rate Mobility Component of their Disability Living Allowance or their War Pensioners' Mobility Supplement to obtain a new car, powered wheelchair or scooter.

Our prime purpose, as the operator of the Scheme, is to provide our customers with independence and mobility by offering a wide choice of vehicles, powered wheelchairs or scooters at affordable prices, and to deliver outstanding customer service.

As a not-for-profit plc, we re-invest any surpluses back into the business for the benefit of our customers.

www.motabilityoperations.co.uk

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Chairman's statement

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An excellent first six months have set Motability Operations on course for another year of strong performance in 2013.

In the face of a difficult economic climate, we have maintained a robust financial performance, while sustaining our all-time record of 98% overall customer satisfaction.

Neil Johnson OBE, Chairman

In addition to the positive feedback from Car Scheme customers, our six-monthly customer survey, conducted in October, saw the highest-ever score for satisfaction by powered wheelchair and scooter customers, now at 95%.

Our commitment to excellent levels of service for all customers was marked by the achievement in January of the ServiceMark of the Institute of Customer Services, a rigorous accreditation that incorporates an employee survey, customer survey and independent assessment.

Customer numbers continued to grow, reaching 629,252 at the end of March, slightly ahead of expected levels. Renewal rates remained at 92%, with 96% of customers happy to recommend the Scheme to others.

The scale of the powered wheelchair and scooter fleet continues to build, now exceeding 11,000. Three years on from the acquisition of Route2mobility in 2010, we will soon see the first wheelchair and scooter customers approaching renewal. Focus remains on ensuring that these customers continue to enjoy the highest levels of support.

Our company culture is the bedrock of our activities, and this commitment is demonstrated through high levels of employee engagement and passion for the Scheme's objectives.

All this has been delivered alongside an excellent financial performance, supported by the encouraging outcomes achieved in vehicle sales. We have published one of the most affordable ever price lists, offering more than 450 cars which require no additional payment from the customer.

The latter part of this year brings a number of challenges, including disability benefit changes. From April, the Department for Work and Pensions started to implement the move from Disability Living Allowance to Personal Independence Payment. The process begins with new recipients, before reassessment of existing customers gets underway from October 2013.

Inevitably there will be customers who fail to qualify for the new benefit, and are consequently no longer eligible for the Scheme; we also expect new recipients to have access to the Motability Scheme for the first time.

We are currently working closely with our colleagues at Motability to plan the appropriate levels of support as our customers experience the Personal Independence Payment transition.

Our UK-wide dealer briefings, which attracted a record 4,500 attendees in January and February, were an opportunity to update dealers on these benefit changes, and help them understand their role. We also showcased the revised Motability Dealer Partnership programme, designed to focus dealer reward even more tightly on activities directly enhancing customer service.

Although the external and economic situation remains challenging, our first half year performance positions us well for continued progress through the remainder of 2013.

Neil Johnson OBE
Chairman

Our business model

We operate a unique business model, working with Motability, stakeholders and partner suppliers for the benefit of our customers.

As operators of the 'Motability Scheme', secured through a contract with Motability, we receive customers' mobility allowances assigned directly from the Department for Work and Pensions (DWP). This revenue stream, which is received directly from Government, therefore has minimal credit risk. As operators of the Scheme, we seek to leverage economies of scale and to closely manage our cost base. It is by running an efficient operation that we are able to consistently deliver a highly affordable and competitive proposition for our customers.

To access a vehicle, powered wheelchair or scooter on the Motability Scheme a person must receive the qualifying Government allowance. Motability plays no role in deciding who is eligible for this allowance. The 1.9 million people who are currently in receipt of this allowance could seek to obtain one of these products from Motability Operations. At present, around 33% of this potential customer base participates in the Scheme.

In choosing to take a vehicle, powered wheelchair or scooter on the Scheme, customers assign their mobility allowance to Motability Operations. In return, we provide 'worry-free' mobility including full insurance, maintenance and servicing, tax, tyre and windscreen replacement, breakdown assistance and a 60,000-mile mileage allowance over three years.

We aim to offer customers a comprehensive and affordable product range. Currently, 34 vehicle manufacturers (representing 94% brand availability) and 17 powered wheelchair and scooter manufacturers are represented on the Scheme.

Mobility allowance

There are currently over 1.9 million recipients of qualifying 'mobility' allowances. To access the Scheme, an individual must receive either the Higher Rate Mobility Component of the Disability Living Allowance (administered by the DWP; in Northern Ireland this is administered by the Social Security Agency and in the Isle of Man by the Department of Health and Social Security) or the War Pensioners' Mobility Supplement (which is administered by the Service Personnel and Veterans' Agency (SPVA)). Receipt of a qualifying allowance is the sole eligibility criterion for people wishing to access the Scheme. Through its relationship with Motability, the DWP arranges for the allowance to be paid directly to us on behalf of those people who choose to use the Scheme.

Motability Operations

As the UK's largest car leasing company, we have 35 years' experience in the industry and have supplied over three million vehicles since the Motability Scheme was launched.

During 2010, our remit was expanded to include delivery of the Powered Wheelchair and Scooter (PWS) Scheme on behalf of Motability. From 1 July 2010, we became responsible for all new leases written on the Scheme. From 1 October 2010, following the acquisition of Route2mobility (R2m) – the previous service provider – Motability Operations assumed responsibility for the leases of existing PWS customers.

How we operate

Motability

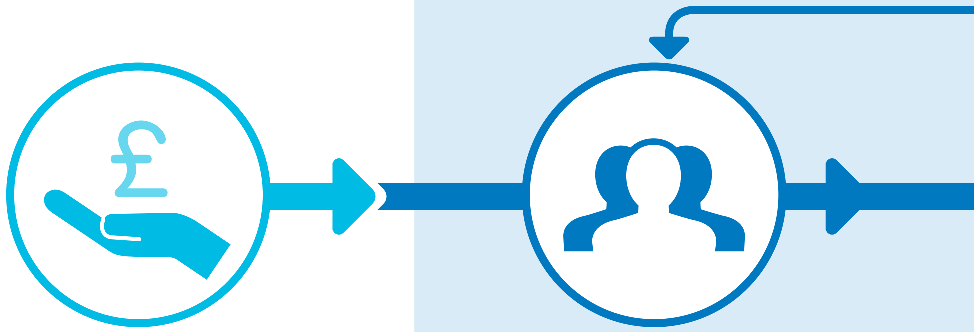
Motability Charity directs and oversees the Scheme

Motability is a national charity, set up in 1977, to assist disabled people with their mobility needs. The Charity's prime purpose is to ensure that those disabled people who want to use their mobility allowance to obtain a vehicle, scooter or powered wheelchair on the Motability Scheme always receive the best possible service and value for money.

At Motability Operations, our relationship with Motability is governed by the Scheme Agreement, which sets out the Charity's role of directing and overseeing the Scheme. Motability and Motability Operations are constitutionally and operationally separate entities.

Motability Operations

Manages the Motability Car, Powered Wheelchair and Scooter Scheme



Mobility allowance

Government decides who should receive mobility allowances. Customers may choose to assign their mobility allowance to obtain a vehicle, powered wheelchair or scooter

Customers

Customers have access to a wide range of products that meet their specific needs

This step consolidated the delivery of the PWS Scheme under one provider. Our approach to operating the PWS Scheme is wholly aligned with that of the Car Scheme proposition.

Our objective is to offer affordable, 'worry-free' mobility to those with qualifying allowances. Through the Motability Scheme, potential customers can choose to divert the allowance into leasing or the hire purchase of a new car, powered wheelchair or scooter. We aim to provide sustained value and choice, combined with first-class customer service. All companies within Motability Operations Group plc operate to serve this common purpose.

Total customer numbers have increased steadily over recent years, with over 629,000 customers currently choosing to access the Scheme, made up of nearly 618,000 Car Scheme customers and over 11,000 PWS Scheme customers. We bought over 222,000 new cars and re-sold 191,000 in the used car marketplace during the financial year ended September 2012.

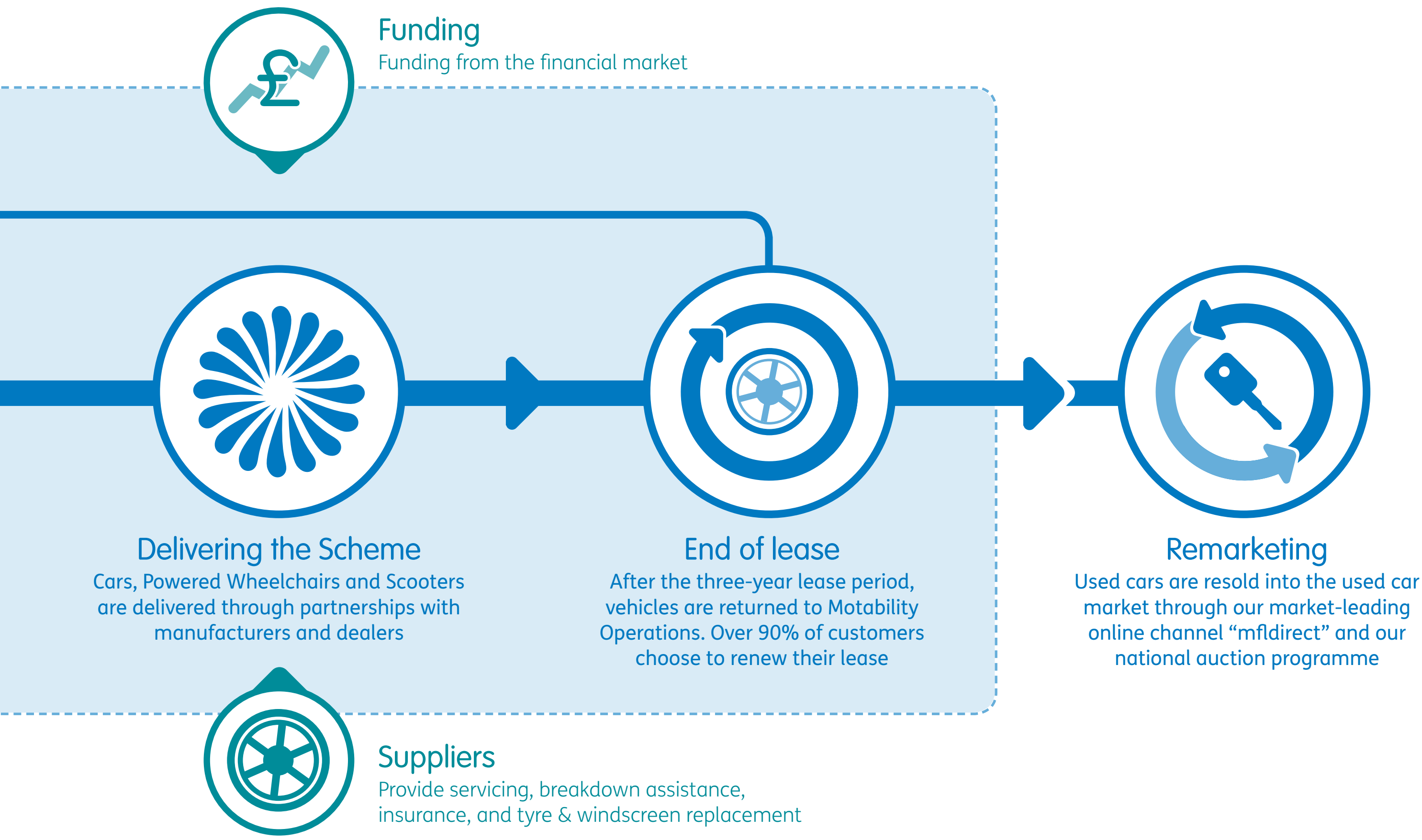
Through our strong financial position we are well equipped to deliver a stable customer proposition. This strength has been built on our prudent reserves and risk management methodology, our diversified fleet portfolio, our excellent business culture and best-practice governance. It is as a result of these strengths that we are able to provide our customers with sustained affordability throughout the economic cycle. As a not-for-profit plc, we reinvest any surpluses back into the business for the benefit of our customers.

At Motability Operations, we provide:

- 'Worry-free' mobility through a Contract Hire product including (as appropriate) insurance, maintenance and servicing, tyre and windscreen replacement, breakdown assistance and a 60,000-mile mileage allowance over three years
- Excellent brand choice with 34 manufacturers represented on the Car Scheme, and all of the major scooter and powered wheelchair providers represented
- Over 200 cars on the price list that are available by using the mobility allowance alone, with no 'advance payment'
- A full range of adaptations and wheelchair accessible vehicles.

To achieve this we:

- Manage and develop relationships with key manufacturers
- Work in partnership with nearly 4,700 car dealers and over 200 PWS mobility outlets to provide excellent customer service
- Proactively manage suppliers to ensure an excellent and sustained customer experience on very affordable terms
- Provide telephone support to our customers through our best-practice call centre, supported by a fully interactive web-based enquiry tool
- Ensure that our workforce of over 800 people across our two sites in London and Bristol remains engaged and motivated.



Interim management report

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Our financial performance provides a solid platform from which to deliver a stable and consistent proposition to our customers.

This has enabled Motability Operations to continue to provide an excellent range of affordable cars, powered wheelchairs and scooters throughout the period. We place particular focus on ensuring that products that meet customers' diverse disability needs remain available and affordable on the Scheme.

Performance

Overview

The business continued to deliver a strong performance during the first six months of the financial year to March 2013, meeting the full range of financial and non-financial targets.

Our financial performance provides a solid platform from which to deliver a stable and consistent proposition to our customers. This has enabled Motability Operations to continue to provide an excellent range of affordable cars, powered wheelchairs and scooters throughout the period, with particular focus on ensuring that products that meet customers' diverse disability needs are available and affordable on the Scheme.

Motability Operations' success in meeting these customer targets can be gauged in a number of ways – including by reference to our independently measured customer satisfaction survey, in which overall customer satisfaction continues to track at 98%. Customer renewal rates at the end of lease remain consistently high at over 92%.

We continue to see a steady growth in customer numbers, with a total of 629,252 (representing a growth of 0.8% for the first six months of the year). Within this, the number of Car Scheme customers stood at 617,800 and Powered Wheelchair and Scooter Scheme customers were 11,452.

Financial performance

Revenue in the six months to March 2013 was £1,627m, up 7.3% year on year (2012: £1,516m). Surplus for the period, which is retained in the Scheme for the benefit of our customers, was £121.4m – representing a return on assets of 2.1%. This result takes Restricted Reserves on the Balance Sheet to £1,536m, remaining within the target corridor based on our Economic Capital requirement.

The six months to March 2012 included an £18.2m deferred tax release due to the substantive enactment in the March 2012 Budget of a reduction in the corporation tax rate to 24% from 1 April 2012. Whilst further reductions in the corporation tax rate were signalled in the March 2013 Budget (with a 21% rate to take effect from April 2014, and then a further reduction to a 20% rate in April 2015), these are not expected to be substantively enacted until July 2013. Consequently the associated deferred tax release is not recognised in the half year results, but will instead likely crystallise in the second half of the year to September 2013.

Assets and residual values

The carrying value of operating lease assets has increased 2.2% since September 2012, to £5,430m.

We carry out a quarterly reassessment of the residual value of our leased assets. At the financial period end this can lead to the need for accounting adjustments which are usually made by recalibrating vehicle depreciation for the period and over the remaining life of the lease. Our in-house model, which has been externally validated, has consistently outperformed alternative external benchmarks and remains less volatile and typically more conservative in outlook than other market views.

At March 2013, the projected revaluation of the fleet versus the priced position anticipated a gross gain of £99m. This, combined with the impact of previous fleet revaluations, resulted in the write-back of depreciation previously charged, with £21.9m credited in the first half of the financial year.

Financing and liquidity

The Group targets a policy to ensure that it has sufficient committed financing facilities to provide for at least 12 months' growth plus 20% headroom. During 2012 the Group refinanced its bank facilities and issued two further bonds under the Group's A+/A2 rated Euro Medium Term Note (EMTN) programme. These extended facilities continue to provide the Group with more than sufficient liquidity headroom. At the Balance Sheet date we had drawn £3.4 billion of this available facility, with the balance of £1.6 billion providing more than sufficient headroom to meet Group policy.

The Group targets a ratio of Total Group Assets:Total Net Debt of not less than 1.25:1. At the Balance Sheet date this ratio was 1.76:1.

The effectiveness of our Treasury function was independently recognised at the Association of Corporate Treasurers (ACT) "Deals of the Year Awards" in February, where the Group's treasury team were awarded "UK Treasury Team of the Year 2012" .

Outlook

From April 2013, the DWP starts to implement the move from Disability Living Allowance to Personal Independence Payment. Inevitably there will be some who fail to qualify for the new benefit, and are consequently no longer eligible for the Scheme. We also expect new recipients to have access to the Motability Scheme for the first time.

We are currently working closely with our colleagues at Motability to plan the appropriate levels of support as people go through this transition.

Strategy in action and performance

Our prime purpose

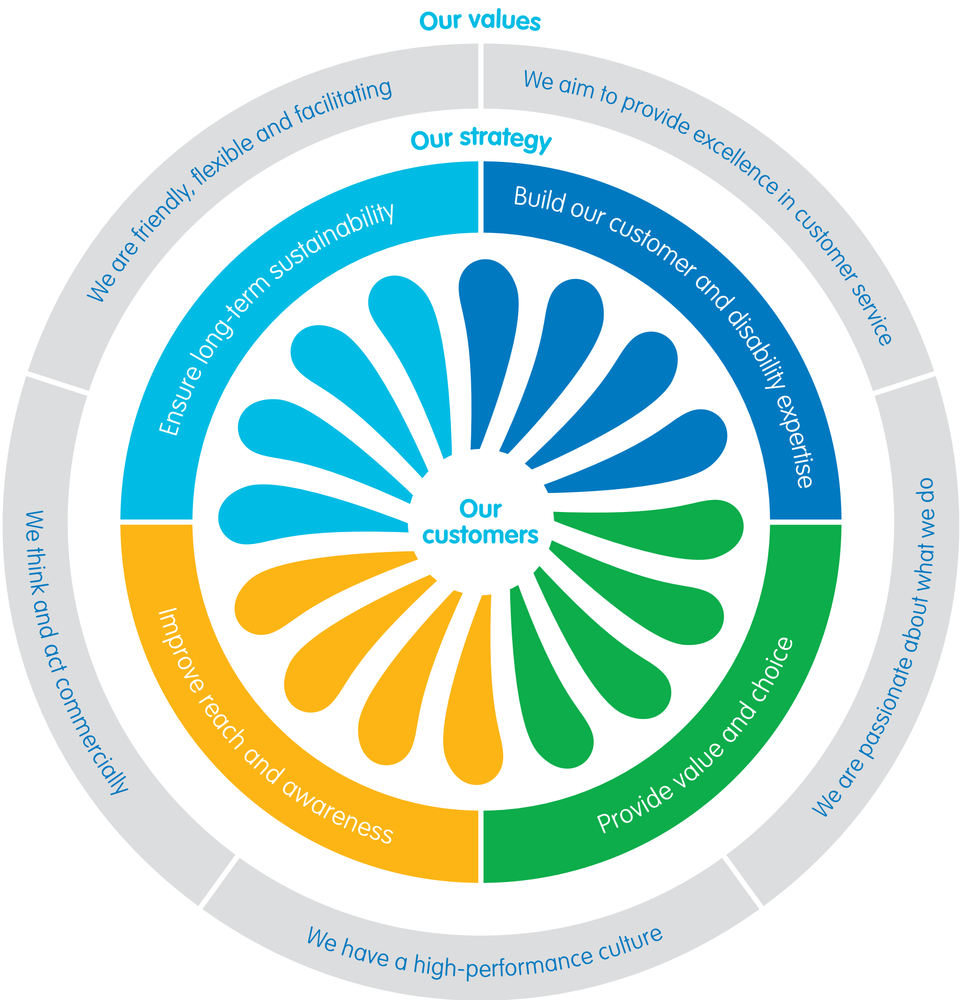
We have developed a clear strategic agenda designed to satisfy our prime purpose of providing our customers with independence and mobility by offering a wide choice of vehicles at affordable prices. We aim to deliver first-class customer service, and believe that understanding how disability affects our customers' needs is critical in meeting this objective. Ensuring the long-term sustainability of our business is essential for the delivery of these objectives.

Our strategy

To deliver these ambitions, we have defined four strategic 'pillars'. These set out a clear framework within which we align our business objectives, performance targets and business planning. Our people, positioning principles, culture and values form the bedrock for delivery of these objectives.

Our values

Our values are central to delivering and meeting the needs and expectations of our customers. We embrace diversity, which enables us to have a wide variety of approaches and perspectives, enhancing performance and creating value for customers. We aim to be confident in meeting our customers' needs.



People and principles

Our people are fundamental to our success and we are committed to recruiting and retaining an engaged and motivated workforce. We have created an excellent working environment, and promote a positive business culture aligned to our core values and principles. We seek to develop our people and reward and recognise excellent performance.

Performance

We track performance through a range of corporate Key Performance Indicators (KPIs). These KPIs are defined in the context of the four strategic 'pillars', thereby ensuring that activity across the business is aligned with these strategic objectives.

Risk management

Through our comprehensive risk management processes we identify and assess the risks that we face. Having understood the nature of these risks, we ensure that we have the appropriate mitigants in place to reduce these exposures.

Build our customer and disability expertise

Customer receiving advice on vehicle adaptation options

Strategy

We maintain consistently excellent levels of customer service throughout the leasing proposition, and demonstrate disability expertise in our approach to our customers and in our role as an employer.

Goals

Understanding our customers is critical to our success. By listening and responding to their feedback, we are able to adapt our proposition and focus our resources on their needs. Our success is dependent on our ability to deliver a Scheme that meets our customers' requirements and provides excellent service. Development of our disability expertise is fundamental to our success in understanding our customers and the delivery of our customer service aspirations.

Objectives

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

KPIs

Overall customer satisfaction (%) 98%

We deliver by listening to our customers and ensuring that we meet their requirements.

Calls answered within 20 seconds (%) 82%

We have successfully met our target of answering 80% of calls within 20 seconds for 60 consecutive months. Average performance across the first six months of the financial year was 82%.

Scholarship Programme for disabled students received a national commendation

Our Scholarship Programme for disabled students received a judges' commendation at the National Council for Work Experience (NCWE) Awards, and was cited as a "shining example" to other organisations.

Provide value and choice

We aim to provide customers with a choice of affordable mobility solutions that best suit their individual needs

Strategy

We provide a wide range of vehicles to our customers at competitive and affordable prices.

Goals

We believe that customers should be able to choose from a wide selection of vehicles. Within this offering we are committed to providing a range of affordable models which are suitable for our customers' needs.

To this end we seek to leverage our purchasing power and ensure that we manage our cost base on commercial terms – the aim being to provide value without compromising choice or quality.

Objectives

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

KPIs

Affordable choice >450

We aim to maintain the availability of at least 200 cars that are funded solely by the assignment of the customer's disability allowance. During the six months to March 2013 we exceeded this target with over 450 models available at nil advance payment at any one time.

Relative affordability: % cheaper than alternative 43%

We benchmark ourselves using commercial contract hire quotations. Our economies of scale, operational efficiencies, a VAT concession and in particular the discounts we are able to negotiate with manufacturers all contribute to this differential.

Proportion of vehicles sold online at the end of lease >70%

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

Improve reach and awareness

Our "One Big Day" events help promote awareness of the Motability Scheme and the 'worry-free' proposition

Strategy

We seek to create improved awareness and understanding of the Scheme proposition within our potential market. In doing so we attract new customers to the Scheme.

Goals

Through promoting greater understanding of the Scheme proposition, we seek to develop better informed prospects who are well positioned to evaluate its benefits.

Fundamental to this is the loyalty and trust of our existing customers, with renewal rates being closely linked to our success in delivering sustained affordability and excellent customer service.

Objectives

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

KPIs

Customer renewal rate at the end of lease (%) — **92%**

Whether customers decide to renew their business at the end of the lease is a key measure of our success in delivering affordability, choice and customer service. During the six months to March 2013 this was maintained above 92%.

Customer advocacy (%) — **96%**

Existing customers are the Scheme's biggest advocates, with over 96% saying that they would recommend the Scheme to others.

Growth in customers (%) – 6 months to March 2013 — **0.8%**

There were 629,252 customers on the Scheme in March 2013, with new customers joining the Scheme through improved awareness and understanding amongst recipients of the disability allowance, combined with sustained levels of customer renewals.

Ensure long-term sustainability

We ensure that we retain and nurture an engaged, motivated and customer-focused workforce

Strategy

We ensure that our business model, finances, people, reputation and infrastructure are geared to support the long-term sustainability of the Scheme.

Goals

Long-term sustainability is fundamental to the delivery of the other three strategic pillars. From a financial perspective we seek to ensure that we maintain a robust balance sheet and reserves base capable of tolerating market volatility, and that we secure longevity of funding on competitive terms capable of supporting our range of fleet expectations. This, in turn, allows stability of pricing through the economic cycle. We regard the enhancement of our reputation and the continuation of support we enjoy across our stakeholder groups as pivotal to our sustained success.

Objectives

- Maintain a prudent reserves policy that provides financial strength adequate for us to withstand the impact of potential shock events
- Create opportunities to access wider sources of competitive funding. We aim to maintain our credit rating, enabling us to secure the most appropriate funding at competitive rates
- Continue to nurture effective partnerships with key stakeholders
- Maintain a forward-looking environmental policy, ensuring availability of a range of low-emission vehicles, but balancing our customers' needs with CO_2 considerations
- Ensure that our premises and information technology infrastructure are robust and future-proof
- Attract and retain quality people.

KPIs

Employee engagement (%) **95%**

We participate in an independent annual review of business culture, where we have significantly outperformed the 'high-performing organisations' benchmark. Employee engagement is 17% higher than the 'high-performing organisations' benchmark.

Credit rating **A+/A2**

We seek to preserve our relative credit rating with our robust approach to financial and risk management and through the flexibility of our pricing engine. Both ratings remained unchanged during the six months to March 2013 with stable outlooks.

Average CO_2 emissions – reduction year on year (g/km) **4.6g/km**

The average CO_2 emissions on new vehicles delivered in March 2013 were down 4.6g/km year on year to 132.1g/km, and have reduced by 32.5g/km over the last five years.

Summary of our key risks and mitigations

Through our comprehensive risk management processes we identify and assess the potential risks that we face. Having understood the nature of these risks, we ensure that we have the appropriate mitigants in place to reduce these exposures.

We use Economic Capital principles to determine and manage our reserves position in the context of these risks. Through this policy and approach we ensure that the business remains sustainable through the economic cycle.

Risk factors	Potential impact	Mitigation
Residual values Unexpected movements in used car values, failure to achieve market value on disposal	• Volatility in profitability, reserves and pricing. Potential impact on affordability and choice	• Sophisticated in-house residual value setting and forecasting process • Risk Capital management for asset risk using Economic Capital principles • Market-leading remarketing approach
Supplier failure Failure of key manufacturer or other key Scheme supplier	• Compromised customer service provision and potential financial impact of securing alternative supplier • In case of manufacturer failure, likely impairment of residual values and threatened availability of parts and warranties	• Active monitoring of credit ratings and market announcements • Strong supplier relationships and communication • Diversified portfolio
Credit Risk of default of key income streams and exposure to bad debt	• Potential impact on cash inflows and consequent write-off to Income Statement	• Principal income stream directly from DWP – therefore minimal credit risk • Residual credit risks are managed through credit assessments and an effective credit control function
Treasury Exposure to interest or exchange rate movements, liquidity, funding, counterparty and operational risk	• Potential impacts include volatility in funding costs, with knock-on effects on lease pricing, and lack of availability of growth funding	• Majority of funding on fixed rates or fixed through interest rate and/or foreign currency swaps • Balanced portfolio of funding maturities and diversification into bond market • Maintenance of good credit rating • Good treasury system, controls and governance
Operational Risk of failure of key systems, controls or processes	• Potential financial and reputational risk • Risk of business disruption	• Robust control environment • Active monitoring of Business Continuity and Disaster Recovery plans

Statement of Directors' responsibilities

The Directors confirm that, to the best of their knowledge, this condensed consolidated interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union and that the Interim Management Report includes a fair review of the information required by DTR 4.2.7, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and
- a description of the principal risks and uncertainties for the remaining six months of the financial year.

By order of the Board

Mike Betts Chief Executive 24 May 2013	David Gilman Finance Director 24 May 2013

Independent review report to the Directors of Motability Operations Group plc

We have been engaged by Motability Operations Group plc ('the Company') to review the condensed set of financial statements in the Half Year Report for the six months ended 31 March 2013, which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated statement of cash flows, and related notes. We have read the other information contained in the Half Year Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The Half Year Report is the responsibility of, and has been approved by, the Directors. The Directors have voluntarily elected to be responsible for preparing the Half Year Report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this Half Year Report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the Half Year Report based on our review. This report, including the conclusion, has been prepared for and only for the Directors as a body for management purposes and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing. We consent to disclosure of our report to assist the Company to comply with the Disclosure and Transparency Rules of the Financial Conduct Authority, as adopted, without accepting or assuming responsibility to any other party on our part.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Half Year Report for the six months ended 31 March 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
London, United Kingdom
24 May 2013

a) The maintenance and integrity of the Motability Operations Group plc website is the responsibility of the Directors; the work carried out by the Auditors does not involve consideration of these matters and, accordingly, the Auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated income statement

For the six months ended 31 March 2013

	Note	Six months ended 31 March 2013 £m	Six months ended 31 March 2012 £m
Revenue	4	1,627.0	1,516.4
Net operating costs	6	(1,385.8)	(1,293.5)
Total surplus from operations		241.2	222.9
Finance costs	7	(82.5)	(81.0)
Surplus before tax		158.7	141.9
Taxation	8	(37.3)	(17.4)
Surplus for the period		121.4	124.5

All amounts in current and prior periods relate to continuing operations (see note 2).

The surplus is non-distributable and held for the benefit of the Scheme.

Consolidated statement of comprehensive income

For the six months ended 31 March 2013

	Six months ended 31 March 2013 £m	Six months ended 31 March 2012 £m
Surplus for the period	121.4	124.5
Other comprehensive income:		
Gains on movements in fair value of cash flow hedging derivatives	5.6	13.1
Tax relating to components of other comprehensive income	(1.3)	(3.4)
Other comprehensive income for the period, net of tax	4.3	9.7
Total comprehensive income for the period attributable to equity	125.7	134.2

The notes on pages 16 to 24 form part of these financial statements

Consolidated balance sheet

As at 31 March 2013

	Note	31 March 2013 £m	30 September 2012 £m	31 March 2012 £m
Assets				
Non-current assets				
Intangible assets		6.4	7.8	6.9
Property, plant and equipment		20.2	15.5	8.6
Assets held for use in operating leases	9	5,430.0	5,312.6	5,184.2
Hire purchase receivables		15.9	22.6	30.5
Trade and other receivables		13.7	13.5	–
Derivative financial instruments	13	1.2	–	–
Deferred tax asset		4.4	5.8	3.9
		5,491.8	5,377.8	5,234.1
Current assets				
Corporation tax receivable		–	13.6	–
Inventories	10	89.2	68.4	70.5
Cash and bank balances		109.6	102.5	77.7
Hire purchase receivables		12.8	16.0	19.1
Trade and other receivables		212.3	218.9	220.8
		423.9	419.4	388.1
Total assets		5,915.7	5,797.2	5,622.2
Liabilities				
Current liabilities				
Corporation tax payable		(35.9)	–	(0.5)
Deferred income	11	(176.7)	(178.5)	(153.0)
Trade and other payables		(128.8)	(145.0)	(110.5)
Financial liabilities	12	(82.2)	(89.7)	(76.7)
Derivative financial instruments	13	(0.2)	(0.6)	(2.0)
Provision for other liabilities		(2.1)	(2.1)	(2.1)
		(425.9)	(415.9)	(344.8)
Net current (liabilities)/assets		(2.0)	3.5	43.3
Non-current liabilities				
Deferred income	11	(170.8)	(172.0)	(193.2)
Financial liabilities	12	(3,323.9)	(3,271.8)	(3,312.1)
Derivative financial instruments	13	(8.1)	(62.4)	(13.6)
Deferred tax liabilities		(457.1)	(470.9)	(456.6)
Provision for other liabilities		–	–	(1.5)
		(3,959.9)	(3,977.1)	(3,977.0)
Total liabilities		(4,385.8)	(4,393.0)	(4,321.8)
Net assets		1,529.9	1,404.2	1,300.4
Equity				
Ordinary share capital		0.1	0.1	0.1
Hedging reserve		(5.8)	(10.1)	(4.2)
Restricted reserves (*)		1,535.6	1,414.2	1,304.5
Total equity		1,529.9	1,404.2	1,300.4

(*) Restricted reserves are retained for the benefit of the Scheme. As regards ordinary shareholders, there is no dividend entitlement. A reserves management policy has been established to ensure that the business and the customer proposition are sustainable throughout the economic cycle.

These financial statements were approved by the Board of Directors on 24 May 2013.

Mike Betts
Chief Executive

The notes on pages 16 to 24 form part of these financial statements

Consolidated statement of changes in equity

For the six months ended 31 March 2013

	Ordinary share capital £m	Hedging reserve £m	Restricted reserves £m	Total £m
At 1 October 2011	0.1	(13.9)	1,180.0	1,166.2
Comprehensive income				
Surplus for the period	–	–	124.5	124.5
Other comprehensive income – items that may be reclassified subsequently to profit or loss				
Gains on movements in fair value of cash flow hedging derivatives	–	13.1	–	13.1
Tax relating to components of other comprehensive income	–	(3.4)	–	(3.4)
Total comprehensive income	–	9.7	124.5	134.2
At 31 March 2012	0.1	(4.2)	1,304.5	1,300.4
At 1 October 2012	0.1	(10.1)	1,414.2	1,404.2
Comprehensive income				
Surplus for the period	–	–	121.4	121.4
Other comprehensive income – items that may be reclassified subsequently to profit or loss				
Gains on movements in fair value of cash flow hedging derivatives	–	5.6	–	5.6
Tax relating to components of other comprehensive income	–	(1.3)	–	(1.3)
Total comprehensive income	–	4.3	121.4	125.7
At 31 March 2013	0.1	(5.8)	1,535.6	1,529.9

Consolidated statement of cash flows

For the six months ended 31 March 2013

	Note	Six months ended 31 March 2013 £m	Six months ended 31 March 2012 £m
Cash flows from operating activities			
Cash generated from operations	14	93.4	1.0
Interest paid		(81.5)	(74.6)
Income tax paid		(1.5)	(5.0)
Net cash generated from/(used in) operating activities		10.4	(78.6)
Cash flows from investing activities			
Purchase of corporate property, plant and equipment and intangible assets		(6.5)	(8.0)
Proceeds from sale of corporate property, plant and equipment		0.2	0.3
Net cash used in investing activities		(6.3)	(7.7)
Cash flows from financing activities			
New loans raised		–	751.6
Bank loans repaid		(0.1)	(622.4)
Net cash (used in)/generated from financing activities		(0.1)	129.2
Net increase in cash and cash equivalents		4.0	42.9
Cash and cash equivalents at beginning of period		59.3	(7.8)
Cash and cash equivalents at end of period	14	63.3	35.1

The notes on pages 16 to 24 form part of these financial statements

Notes to the interim financial statements

1. General information

Motability Operations Group plc is a company incorporated and domiciled in the United Kingdom, whose shares are privately owned. The address of the registered office is City Gate House, 22 Southwark Bridge Road, London SE1 9HB.

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

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

This condensed set of financial statements does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 30 September 2012 were approved by the Board of Directors on 13 December 2012 and delivered to the Registrar of Companies. The report of the Auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

This condensed set of financial statements has been reviewed, not audited.

Accounting convention

The financial statements have been prepared under the historical cost convention, except the revaluation of financial assets and financial liabilities (including derivative instruments) which are valued at fair value through profit or loss.

2. Significant accounting policies

Basis of preparation

This condensed set of financial statements for the six months ended 31 March 2013 has been prepared in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority and IAS 34, 'Interim financial reporting', as adopted by the European Union. The condensed set of financial statements should be read in conjunction with the Group's annual financial statements for the year ended 30 September 2012, which have been prepared in accordance with IFRSs as adopted by the European Union.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 30 September 2012, as described in those annual financial statements.

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the interim financial statements.

Taxation

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Adoption of new or revised standards

The following new and revised standards and interpretations have been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported.

Amendments to IAS 1	*Presentation of Financial Statements*
Amendment to IAS 12	*Income Taxes*

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

Amendments to IFRS 7	*Financial Instruments: Disclosures*
IFRS 9	*Financial Instruments*
IFRS 10	*Consolidated Financial Statements*
IFRS 11	*Joint Arrangements*
IFRS 12	*Disclosure of Interests in Other Entities*
IFRS 13	*Fair Value Measurement*
Amendments to IAS 1	*Presentation of Financial Statements*
Amendment to IAS 19	*Employee Benefits*
IAS 27 (reissued)	*Consolidated and Separate Financial Statements*
IAS 28 (reissued)	*Investments in Associates*
Amendments to IAS 32	*Financial Instruments: Presentation*
Improvements to IFRS 2012	

The Directors anticipate that the adoption of these standards, amendments and interpretations in future periods will have no material effect on the financial statements of the Group.

Other standards, amendments and interpretations not described above are not relevant to the Group.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies:

Residual values of operating lease assets

The method by which the Directors have determined the Group's residual values of the operating lease assets is described in note 9.

Sensitivity analysis

Because of the inherent uncertainty associated with such valuation methodology and in particular the volatility of the prices of second-hand vehicles, the carrying value of the residual values of the operating lease assets may differ from their realisable value (see note 9). As at 31 March 2013, if future net sales proceeds for our existing portfolio of operating leases were to decrease/increase by 1% from our estimates (1% being a reasonable, scalable base unit for movements in the used car market), the effect would be to increase/decrease the depreciation on these vehicles by £40.8m (2012: £38.1m). This change in depreciation would be charged/credited to depreciation expense on operating leases over the remaining terms of the operating leases so that the net investment in operating leases at the end of the lease term for these vehicles is equal to the revised expected residual value.

Derivatives

As quantified in note 13, the Directors use their judgement in selecting appropriate valuation techniques for financial instruments not quoted in an active market. For derivative financial instruments, assumptions are made based on the quoted market rates adjusted for the specific features of the instruments.

4. Revenue

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

	Six months ended 31 March 2013 £m	Six months ended 31 March 2012 £m
Rentals receivable from operating leases	915.8	845.6
Proceeds from disposal of operating lease assets	708.8	661.7
Hire purchase earnings	1.6	2.6
Other income	0.4	6.2
Contingent rentals	0.3	0.2
Finance income	0.1	0.1
Total revenue	1,627.0	1,516.4

Contingent rentals relate to variable charges for excess mileage.

5. Segmental analysis

The Group is managed as a single integrated business unit. Accordingly no segmental analysis is applicable.

6. Net operating costs

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

	Six months ended 31 March 2013 £m	Six months ended 31 March 2012 £m
Net book value of disposed operating lease assets	663.1	633.1
Fleet operating costs including insurance, maintenance and roadside assistance costs	260.0	227.7
Other operating costs	23.2	21.3
Employee costs	18.9	17.9
Other product costs including continuous mobility costs, adaptations support and communications	12.2	11.9
Legal and professional fees	8.0	4.4
Motability levy and rebates	3.4	5.3
Bad debt charges and movement in bad debt provisions	2.2	1.8
Management fees	0.4	1.3
Net operating costs before depreciation	991.4	924.7
Depreciation on assets used in operating leases (*)	391.3	366.9
Depreciation and amortisation on property, plant and equipment and intangible assets	3.1	1.9
Net operating costs	1,385.8	1,293.5

(*) The depreciation charge on assets used in operating leasing includes a £19.3m release (six months ended 31 March 2012: £16.6m release) relating to changes in estimates during the period of future residual values.

7. Finance costs

	Six months ended 31 March 2013 £m	Six months ended 31 March 2012 £m
Interest and charges on bank loans and overdrafts	10.4	20.6
Interest on debt issued under the Euro Medium Term Note Programme	71.8	60.1
Preference dividends	0.3	0.3
Total finance costs	82.5	81.0

8. Taxation

The major components of the consolidated tax expense are:

	Six months ended 31 March 2013 £m	Six months ended 31 March 2012 £m
Current tax		
Charge for the period	51.0	19.5
Total	51.0	19.5
Deferred tax		
Origination and reversal of temporary differences	(13.7)	16.1
Impact of change in UK tax rate	–	(18.2)
Total	(13.7)	(2.1)
Tax on surplus from continuing operations	37.3	17.4

Income tax expenses have been recognised based on management's best estimate of the weighted average annual tax rate expected for the full financial year. The estimated average annual tax rate used for the current year is 23.5% (2012: 25.1%). This estimate takes into account the change in the main rate of corporation tax from 24% to 23%, substantively enacted on 3 July 2012 (with effect from 1 April 2013).

The Government has announced its intention to reduce the main rate of corporation tax to 20% over the next two years (21% with effect from 1 April 2014 and 20% with effect from 1 April 2015). These two changes are expected to be substantively enacted before 30 September 2013. Had these changes been substantively enacted at the balance sheet date, a further £48.7m would have been credited to the tax charge.

9. Assets held for use in operating leases

Cost	Motor vehicle assets £m
At 1 October 2011	6,040.7
Additions	1,217.7
Transfer to inventory	(919.2)
At 31 March 2012	6,339.2
At 1 October 2012	6,624.0
Additions	1,192.8
Transfer to inventory	(989.3)
At 31 March 2013	**6,827.5**
Accumulated depreciation	
At 1 October 2011	1,064.2
Charge for the period	366.9
Eliminated on transfer to inventory	(276.1)
At 31 March 2012	1,155.0
At 1 October 2012	1,311.4
Charge for the period	391.3
Eliminated on transfer to inventory	(305.2)
At 31 March 2013	**1,397.5**
Carrying amount	
At 1 October 2011	4,976.5
Additions	1,217.7
Depreciation	(366.9)
Transfer to inventory (note 10)	(643.1)
At 31 March 2012	5,184.2
At 1 October 2012	5,312.6
Additions	1,192.8
Depreciation	(391.3)
Transfer to inventory (note 10)	(684.1)
At 31 March 2013	**5,430.0**

9. Assets held for use in operating leases continued

Residual values

Residual values represent the estimated net sale proceeds expected from the sale of the asset at the end of the leasing period. A review is undertaken at the balance sheet date using market data to identify net residual values which differ from the sum anticipated at the inception of the lease.

In addition, the assets' resale market value and disposal costs structure are monitored and the process of realising asset values is managed in order to seek to maximise the net sale proceeds.

The following residual values are included in the calculation of the net book value of fixed assets held for use in operating leases:

Years in which unguaranteed residual values are recovered

	31 March 2013 £m	30 September 2012 £m	31 March 2012 £m
Not later than one year	1,315.2	1,142.5	1,002.9
Later than one year and not later than two years	1,303.1	1,306.6	1,284.9
Later than two years and not later than five years	1,459.7	1,445.3	1,521.1
Total exposure	4,078.0	3,894.4	3,808.9

The total unguaranteed residual value exposure presented above consists of the original priced residual values net of revisions in estimation (see the 'Critical accounting judgements' policy in note 3). The amounts resulting from changes in estimates on the live fleet at the balance sheet date are detailed below, together with the split of the timing of the effects between past and future periods.

Effects of changes in estimates included in the unguaranteed residual values above

	31 March 2013 £m	30 September 2012 £m	31 March 2012 £m
Amounts carried at 31 March/30 September	(52.2)	(49.6)	16.8
Amounts to be charged in future years	(42.7)	(72.1)	(27.9)
Total effect of changes in estimated residual value	(94.9)	(121.7)	(11.1)

The Group as lessor

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

	31 March 2013 £m	30 September 2012 £m	31 March 2012 £m
Not later than one year	1,431.0	1,429.1	1,350.6
Later than one year and not later than two years	841.7	848.5	805.0
Later than two years and not later than five years	330.2	338.5	287.5
	2,602.9	2,616.1	2,443.1

10. Inventories

	31 March 2013 £m	30 September 2012 £m	31 March 2012 £m
Ex-operating lease assets held for sale	89.9	68.9	71.0
Provisions	(0.7)	(0.5)	(0.5)
Ex-operating lease assets held for sale (net)	89.2	68.4	70.5

Inventories represent the operating lease assets previously held for rental to customers and which cease to be rented and become held for sale as of the balance sheet date. As of the balance sheet date, £0.7m has been provided against irrecoverable vehicles (30 September 2012: £0.5m, 31 March 2012: £0.5m).

The cost of inventories recognised as expense and included in net operating costs amounted to £663.1m (31 March 2012: £633.1m).

10. Inventories continued

The movements of inventories in the six-month periods ended 31 March 2013 and 2012 are as follows:

	£m
At 1 October 2011	61.0
Transfer from operating lease assets (note 9)	643.1
Disposals	(633.1)
At 31 March 2012	71.0
At 1 October 2012	68.9
Transfer from operating lease assets (note 9)	684.1
Disposals	(663.1)
At 31 March 2013	89.9

11. Deferred income

	31 March 2013 £m	30 September 2012 £m	31 March 2012 £m
Current			
Customers' advance payments (*)	109.0	122.7	107.7
Vehicle maintenance income	26.6	20.5	13.7
Customers' end of contract bonuses	41.1	35.3	31.6
Total current	176.7	178.5	153.0
Non-current			
Customers' advance payments (*)	105.0	99.7	116.1
Vehicle maintenance income	37.9	44.1	48.2
Customers' end of contract bonuses	27.9	28.2	28.9
Total non-current	170.8	172.0	193.2
Total	347.5	350.5	346.2

(*) Customers may choose a leased vehicle where the price exceeds the mobility allowance. In such cases they make an advance payment which is recognised over the life of the lease.

12. Financial liabilities

	31 March 2013 £m	30 September 2012 £m	31 March 2012 £m
Current			
Accrued interest and coupon	35.9	46.4	33.0
Bank overdrafts	46.3	43.2	42.5
Bank loans	–	0.1	1.2
Total current	82.2	89.7	76.7
Non-current			
Bank loans	498.5	498.1	500.0
Debt issued under the Euro Medium Term Note Programme (less unamortised discount and transaction costs)	2,815.4	2,763.7	2,802.1
Preference shares	10.0	10.0	10.0
Total non-current	3,323.9	3,271.8	3,312.1
Total	3,406.1	3,361.5	3,388.8
The financial liabilities are repayable as follows:			
On demand and no later than one year	82.2	89.7	76.7
Later than one year and no later than two years	498.5	–	–
Later than two years and no later than five years	916.9	995.5	997.0
Later than five years	1,908.5	2,276.3	2,315.1
Total	3,406.1	3,361.5	3,388.8

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

12. Financial liabilities continued

Bank borrowings

All bank borrowings as at 31 March 2013, 30 September 2012 and 31 March 2012 are at floating rates.

As at 31 March 2013 the Group has the following principal bank loans:

a) A three-year term loan of £0.5 billion taken out on 19 January 2012 carrying LIBOR interest rates plus bank margins at a market rate (30 September 2012 and 31 March 2012: three-year term loan of £0.5 billion taken out on 19 January 2012).

b) Five-year revolving credit facilities of £1.5 billion taken out on 19 January 2012 carrying LIBOR interest rates plus bank margins at a market rate (30 September 2012 and 31 March 2012: five-year revolving credit facilities of £1.5 billion taken out on 19 January 2012) of which £nil was drawn as at 31 March 2013 (30 September 2012: £nil, 31 March 2012: £nil).

Debt issued under the Euro Medium Term Note Programme

Bonds issued under the Euro Medium Term Note Programme, net of unamortised discounts and issue costs, are analysed as follows:

	31 March 2013 £m	30 September 2012 £m	31 March 2012 £m
5.250% sterling bond due 2016	497.7	497.4	497.0
3.750% Eurobond due 2017 *	419.2	395.0	413.7
3.250% Eurobond due 2018 **	461.9	435.3	456.0
6.625% sterling bond due 2019	448.0	447.9	447.8
5.375% sterling bond due 2022	396.1	395.9	395.7
4.375% sterling bond due 2027	294.6	294.4	294.2
5.625% sterling bond due 2030	297.9	297.8	297.7
	2,815.4	2,763.7	2,802.1

* The repayment obligation in respect of the Eurobonds of Euro 500m (£421.6m) is hedged by cross-currency swap contracts (note 13) for the purchase of Euro 500m and for the sale of £425.2m and is carried in the balance sheet net of the unamortised balance of the issuance costs.

** The repayment obligation in respect of the Eurobonds of Euro 550m (£463.8m) is hedged by cross-currency swap contracts (note 13) for the purchase of Euro 550m and for the sale of £459.8m and is carried in the balance sheet net of the unamortised balance of the issuance costs.

The Company has a £4 billion Euro Medium Term Note Programme with denominations of GBP 50,000. The bonds were admitted to trading on the London Stock Exchange's regulated market and have been admitted to the Official List. The £4 billion Euro Medium Term Note Programme of the Company is unconditionally and irrevocably guaranteed on a joint and several basis by three subsidiaries, namely Motability Operations Limited, Motability Leasing Limited and Motability Hire Purchase Limited. The payments of all amounts due in respect of notes will be unconditionally and irrevocably guaranteed on a joint and several basis by these companies.

Preference shares

Cumulative preference shares of £9,950,000 were issued on 30 June 2008 at an issue price of £1 per share. The shares carry interest at 7%. The preference shares of the Group are classified as a financial liability in accordance with the contractual obligation to deliver cash (both dividends and repayment of principal) to the shareholders on winding-up as stated in the Memorandum and Articles of Association of the Company.

The weighted average interest rates on borrowings as at 31 March 2013, 30 September 2012 and 31 March 2012 were as follows:

	31 March 2013 %	30 September 2012 %	31 March 2012 %
Current bank loans and overdrafts	1.5	1.5	4.1
Non-current bank loans	1.8	1.8	2.1
Non-current debt issued under the Euro Medium Term Note Programme	5.0	5.0	5.0
Non-current preference shares	7.0	7.0	7.0

At 31 March 2013, 30 September 2012 and 31 March 2012, the Group had the following undrawn committed borrowing facilities:

	31 March 2013 £m	30 September 2012 £m	31 March 2012 £m
Working capital facility	100.0	100.0	100.0
Revolving credit facility	1,500.0	1,500.0	1,500.0
Total	1,600.0	1,600.0	1,600.0

Undrawn committed facilities expire as follows:

	31 March 2013 £m	30 September 2012 £m	31 March 2012 £m
Within one year	5.0	5.0	5.0
Within one to two years	–	–	–
Within two to five years	1,595.0	1,595.0	1,595.0
Total	1,600.0	1,600.0	1,600.0

13. Derivative financial instruments

	31 March 2013 Fair value £m	31 March 2013 Notional amounts £m	30 September 2012 Fair value £m	30 September 2012 Notional amounts £m	31 March 2012 Fair value £m	31 March 2012 Notional amounts £m
Cash flow hedges						
Cross-currency swaps	(6.9)	885.0	(62.4)	885.0	(13.4)	885.0
Interest rate swaps	(0.2)	400.0	(0.6)	400.0	(2.2)	850.0
Total	(7.1)	1,285.0	(63.0)	1,285.0	(15.6)	1,735.0
Included in non-current assets	1.2	459.8	–	–	–	–
Included in non-current liabilities	(8.1)	425.2	(62.4)	885.0	(13.6)	1,135.0
Included in current liabilities	(0.2)	400.0	(0.6)	400.0	(2.0)	600.0
Derivative financial instruments	(7.1)	1,285.0	(63.0)	1,285.0	(15.6)	1,735.0

Cross-currency swaps

On 29 November 2010, the Company issued fixed-rate Eurobonds under its Euro Medium Term Note Programme at a nominal value of Euro 500m. The Company entered into cross-currency swap arrangements to hedge its currency and interest rate risks on its Eurobond debts. EUR coupon of 3.75% is fully swapped into the GBP rate of 4.242%.

On 8 February 2012, the Company issued fixed-rate Eurobonds under its Euro Medium Term Note Programme at a nominal value of EUR 550m. The Company entered into cross-currency swap arrangements to hedge its currency and interest rate risks on its Eurobond debts. EUR coupon of 3.25% is fully swapped into the GBP rate of 3.664%.

Interest rate swaps

At 31 March 2013, the fixed interest rates vary from 0.49% to 0.745% (30 September 2012: 0.699% to 0.745%, 31 March 2012: 0.699% to 2.45%) and the main floating rates are LIBOR.

Gains and losses recognised in the fair value reserve in equity on interest rate and cross-currency swap contracts as of 31 March 2013 will be continuously released to the income statement within finance costs in accordance with the maturity of the swap contracts. The undiscounted cash flows are settled on a net basis for interest rate swaps and on a gross basis for cross-currency swap contracts.

14. Cash generated from operations

Reconciliation of surplus to net cash flow from operating activities:

	Six months ended 31 March 2013 £m	Six months ended 31 March 2012 £m
Surplus before tax	158.7	141.9
Adjustments for:		
Depreciation charge on corporate assets	3.1	1.9
Depreciation charge on operating lease assets	391.3	366.9
Finance costs	82.5	81.0
(Gains) on disposal of operating lease assets	(45.7)	(28.5)
Increase/(decrease) in provisions	0.3	(1.6)
Operating cash flows before movements in working capital	590.2	561.6
Purchase of assets held for use in operating leases	(1,192.8)	(1,217.7)
Proceeds from sale of assets held for use in operating leases	708.8	661.7
Decrease in hire purchase receivables	9.6	12.3
(Increase) in other receivables	(3.2)	(13.8)
(Decrease)/increase in deferred income	(3.0)	18.5
(Decrease) in payables	(16.2)	(21.6)
Cash generated from operations	93.4	1.0

Cash and cash equivalents

Cash and cash equivalents are presented in the consolidated statement of cash flows as the net of cash and bank balances (which comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less) and the bank overdrafts. At 31 March 2013, bank overdrafts include £46.3m (31 March 2012: £42.5m) of cash in the course of transmission.

15. Analysis of changes in net debt

	At 1 October 2012 £m	Cash flows £m	Non-cash flows £m	At 31 March 2013 £m
Cash and bank balances	102.5	7.1	–	109.6
Bank overdrafts	(43.2)	(3.1)	–	(46.3)
Borrowings due within one year	(46.5)	0.2	10.4	(35.9)
Borrowings due after one year	(498.1)	–	(0.4)	(498.5)
Debt issued under the Euro Medium Term Note Programme due after one year	(2,763.7)	–	(51.7)	(2,815.4)
Preference shares	(10.0)	–	–	(10.0)
	(3,259.0)	4.2	(41.7)	(3,296.5)

	At 1 October 2011 £m	Cash flows £m	Non-cash flows £m	At 31 March 2012 £m
Cash and bank balances	33.7	44.0	–	77.7
Bank overdrafts	(41.5)	(1.0)	–	(42.5)
Borrowings due within one year	(38.7)	2.3	2.2	(34.2)
Borrowings due after one year	(1,120.1)	620.0	0.1	(500.0)
Debt issued under the Euro Medium Term Note Programme due after one year	(2,063.8)	(751.6)	13.2	(2,802.2)
Preference shares	(10.0)	–	–	(10.0)
	(3,240.4)	(86.3)	15.5	(3,311.2)

16. Retirement benefit schemes

The Motability Operations Limited pension plan is a non-contributory group personal pension (money purchase) scheme. The total charge for the six months ended 31 March 2013 amounted to £1,425,033 (six months ended 31 March 2012: £1,357,219). Net contributions due at the balance sheet date were £2,129 (31 March 2012: £1,295).

17. Related parties

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Related parties comprise Directors (and their close families and service companies), the Motability Charity and the shareholder banks. Transactions entered into with related parties are in the normal course of business and on an 'arm's length' basis.

The relationship of the Group to the Motability Charity is set out on pages 2 and 3.

Transactions

During the six months ended 31 March 2013 Motability charitable grants totalling £13.1m (six months ended 31 March 2012: £13.2m) were awarded to customers and paid to the Group to enable vehicles to be purchased on their behalf. The Group also paid £3.2m (six months ended 31 March 2012: £3.4m) relating to Motability administration costs (the 'Motability levy').

A further £1.3m (six months ended 31 March 2012: £1.6m) was paid as rebates in respect of grant awards towards advance payments where customers terminated their agreements and rebates in respect of grants made where the Group-managed adaptations could not be processed.

In addition, £0.9m was paid as a rebate negotiated with Motability which effectively removes the risk pricing from vehicles acquired with charitable grants, and wheelchair accessible vehicles (six months ended 31 March 2012: £2.0m). £2,763 was donated to Motability's charitable funds during the period (six months ended 31 March 2012: £14,083).

The funding of the Group through bank loans is provided by the shareholder banks on commercial terms as detailed in note 12 (see note 7 for details of financing costs of bank loans). Additionally, total fees of £0.4m (six months ended 31 March 2012: £1.3m) were due to the shareholder banks in proportion to their shareholdings for management services. The reduction in this six-month period is because the banks have chosen to waive the advisory element of their fees.

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