

Motability Hire Purchase Limited

Annual Report and Financial Statements

Year ended 30 September 2014
Company registration no. 06543350

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Officers and professional advisers

Directors

Mike Betts

David Gilman

Secretary

Jo Pentland

Registered office

City Gate House

22 Southwark Bridge Road

SE1 9HB

London, United Kingdom

Independent auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

7 More London Riverside

London SE1 2RT, United Kingdom

Strategic report

Business review

The Motability Scheme has continued to see strong growth over the past year. For the review of the business performance including financial and non-financial key performance indicators and future development please refer to the financial statements of Motability Operations Group plc ('MO Group') (company number 6541091) and the financial statements of Motability Operations Limited (company number 1373876). The Company's closing reserves are £34.2m (2013: £33.5m).

Principal risks and uncertainties

The management of the business and execution of the Company's strategy are subject to a number of risks.

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Group and are not managed separately. The key business risks and uncertainties affecting the Group are considered to relate to residual values, supplier failure, credit risk and treasury risk. Further discussion of these risks and uncertainties, in the context of the Group as a whole, is provided on pages 29-32 of the Group's annual report which does not form part of this report.

Future developments

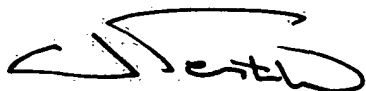
Due to a decline in demand for hire purchase, as well as many alternative products available in the marketplace, from 1 April 2011 the Group no longer actively promotes hire purchase agreements. However, hire purchase agreements are still available on a case by case basis. A focus on contract hire agreements guarantees that the Scheme customers will enjoy the full benefits of a worry-free package, with insurance, maintenance and breakdown cover all included. As a result of this change the volume of business in the Company is expected to reduce.

Financial risk management

The Company's operations expose it to a variety of financial risks that include interest rate risk, credit risk and liquidity risk. (Further details are supplied in note 16).

From the perspective of the Company, the financial risks are mainly integrated with the financial risks of the Group and are not managed separately. The Group's funding and financial risk is overseen and managed by the Group's Asset and Liability Management Committee. The Group's treasury function monitors and manages the financial risks relating to funding and financial risk operations and co-ordinates access to the financial markets. Further discussion of these financial risks in the context of the Group as a whole, and how they are managed are provided on pages 83-92 of the Group's annual report which does not form part of this report.

The strategic report on page 4 was approved by the Board on 18 December 2014 and signed on its behalf by:



Jo Pentland

Company Secretary

Directors' report

Directors' report for the year ended 30 September 2014

The Directors present their report and the audited financial statements of the Company for the year ended 30 September 2014.

Principal activities

The Company ('MHPL') is part of Motability Operations (which is the generic trading name used to describe the entities that act as service provider to the Motability Scheme).

The Company provides finance for the acquisition of vehicles under hire purchase agreements for disabled people eligible to receive either the Higher Rate Mobility Component of the Disability Living Allowance, War Pensioners' Mobility Supplement, Enhanced Rate of the Mobility Component of Personal Independence Payment or Armed Forces Independence Payment.

Hire purchase repayments are paid to Motability Operations Limited ('MOL') by customers mandating payment of their mobility allowances direct to MOL from the relevant government department. In addition, customers may need to pay an advance payment, particularly for more expensive vehicles.

Vehicles for the hire purchase scheme are purchased by MOL and sold under hire purchase facilities to disabled customers. MOL raises finance for the purchase of the vehicles by selling its net beneficial interest in the hire purchase agreements to the Company in return for a capital sum.

Results and dividends

The Company's profit for the year is £0.7m (2013: £1.0m).

No dividend is paid or proposed in the current year. (2013: £nil).

Directors' third party indemnity provision

The Company is required to disclose that under article 131 of the Company's Articles of Association the Directors have the benefit of an indemnity, to the extent permitted by the Companies Act 2006, against liabilities incurred by them in the execution of their duties and the exercise of their powers.

Directors

The Directors who held office during the year and up to the date of signing the financial statements are named in the officers and professional advisers section of this annual report on page 3.

Policy and practice on payment of creditors

The Company has no third party creditor balance and there are no defined maturity dates for the inter-company balances.

Going concern

The Directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future, and for this reason the financial statements continue to be prepared on the going concern basis.

Charitable and political donations

During the year the Company made no charitable or political donations (2013: £nil).

The policy of the Company is to be non-political and, consistent with this, we have not made any political donations.

Directors' report (continued)

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic report, Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure of information to Auditors

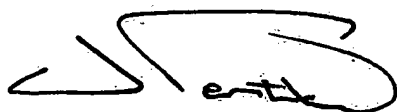
In the case of each Director in office at the date the Directors' report is approved, that:

- so far as the Director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office as auditors. A resolution to re-appoint them is to be proposed at a Directors' Meeting.

The Directors' report on pages 5-6 was approved by the Board on 18 December 2014 and signed on its behalf by:



Jo Pentland

Company Secretary

Independent Auditors' report to the Members of Motability Hire Purchase Limited

Report on the financial statements

Our opinion

In our opinion, Motability Hire Purchase Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 30 September 2014 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

Motability Hire Purchase Limited's financial statements comprise:

- the balance sheet as at 30 September 2014;
- the income statement and statement of comprehensive income for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' responsibilities set out on page 6, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for

Independent Auditors' report to the Members of Motability Hire Purchase Limited (continued)

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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Jeff Picton (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

18 December 2014

Income statement

For the year ended 30 September 2014

	Note	2014 £'000	2013 £'000
Revenue	3	1,627	2,690
Net operating costs	5	(722)	(1,401)
Profit from operations		905	1,289
Finance costs	7	-	(30)
Profit before tax		905	1,259
Taxation	8	(199)	(296)
Profit for the year		706	963

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

The profit of Motability Hire Purchase Limited is non-distributable and held in the Group for the benefit of the Scheme.

Statement of comprehensive income

For the year ended 30 September 2014

	2014 £'000	2013 £'000
Profit for the year	706	963
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	706	963

The notes on pages 12 to 20 form part of these financial statements.

Balance sheet

As at 30 September 2014

	Note	2014 £'000	2013 £'000
Assets			
Non-current assets			
Hire purchase receivables	9	7,172	11,617
		7,172	11,617
Current assets			
Trade and other receivables	10	21,843	12,347
Hire purchase receivables	9	5,603	10,014
		27,446	22,361
Total assets		34,618	33,978
Liabilities			
Current liabilities			
Corporation tax payable		(82)	(148)
		(82)	(148)
Net current assets		27,364	22,213
Non-current liabilities			
Total liabilities		(82)	(148)
Net assets		34,536	33,830
Equity			
Ordinary share capital	11	320	320
Restricted reserves (*)		34,216	33,510
Total equity		34,536	33,830

(*) Restricted reserves are retained for the benefit of the Scheme. As regards the ordinary shareholders of MO Group, 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 on pages 9 to 20 were approved by the Board on 18 December 2014 and signed on its behalf by:



Mike Betts

Director

Motability Hire Purchase Limited

Registered no. 06543350

The notes on pages 12 to 20 form part of these financial statements.

Statement of changes in equity

For the year ended 30 September 2014

	Ordinary share capital £'000	Restricted reserves £'000	Total equity £'000
At 1 October 2012	320	32,547	32,867
Comprehensive income			
Profit for the year	-	963	963
Other comprehensive income	-	-	-
Total comprehensive income	-	963	963
At 1 October 2013	320	33,510	33,830
Comprehensive income			
Profit for the year	-	706	706
Other comprehensive income	-	-	-
Total comprehensive income	-	706	706
At 30 September 2014	320	34,216	34,536

Statement of cash flows

For the year ended 30 September 2014

	Note	2014 £'000	2013 £'000
Cash flows from operating activities			
Cash used in operations	12	(8,765)	(8,182)
Interest paid		-	(133)
Income tax paid		(265)	(778)
Net cash flows used in operating activities		(9,030)	(9,093)
Cash flows from investing activities			
Proceeds from reduction in hire purchase receivables		9,030	16,280
Net cash generated from investing activities		9,030	16,280
Cash flows from financing activities			
Issue of ordinary shares		-	-
Loans repaid		-	(7,187)
Net cash used in financing activities		-	(7,187)
Net increase in cash and cash equivalents		-	-
Cash and cash equivalents at beginning of the year		-	-
Cash and cash equivalents at end of the year		-	-

The notes on pages 12 to 20 form part of these financial statements.

Notes to the financial statements

1. General information

Motability Hire Purchase Limited ("the Company") is a limited 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. The nature of the Company's operations and its principal activities are set out in the Directors' report on page 5.

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

Accounting convention

The financial statements have been prepared under the historical cost convention.

2. Significant accounting policies

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and International Financial Reporting Interpretations Committee (IFRIC) interpretations endorsed by the European Union (EU) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. A summary of the more important accounting policies is set out below, together with an explanation of where changes have been made to previous policies on the adoption of new accounting standards in the year.

The preparation of financial statements in conformity with IFRSs requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on the Directors' best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Except as described below, the accounting policies have been consistently applied to the years 2014 and 2013.

Adoption of new and 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 IFRS 7	<i>Financial Instruments: Disclosures</i>
IFRS 13	<i>Fair Value Measurement</i>
Amendment to IAS 19 (Jun 2011)	<i>Employee Benefits</i>
Annual improvements to IFRSs	<i>2009-2011 Cycle</i>

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

IFRS 9	<i>Financial Instruments</i>
IFRS 10	<i>Consolidated Financial Statements</i>
IFRS 11	<i>Joint Arrangements</i>
IFRS 12	<i>Disclosure of Interests in Other Entities</i>
IFRS 14	<i>Regulatory Deferral Accounts</i>
IFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to IAS 16	<i>Property, Plant and Equipment</i>
Amendment to IAS 19 (Nov 2013)	<i>Employee Contributions</i>
IAS 27 (reissued)	<i>Consolidated and Separate Financial Statements</i>
IAS 28 (reissued)	<i>Investments in Associates</i>
Amendments to IAS 32	<i>Financial Instruments: Presentation</i>
Amendments to IAS 36	<i>Impairment of Assets</i>
Amendments to IAS 39	<i>Financial Instruments: Recognition and Measurement</i>
Annual improvements to IFRSs	<i>2010-2012 Cycle</i>
Annual improvements to IFRSs	<i>2011-2013 Cycle</i>
Annual improvements to IFRSs	<i>2012-2014 Cycle</i>

Lease contracts are outside the scope of IFRS 15, therefore the Group is waiting for the issue of the leasing standard, expected in the first quarter of 2015, to make an impact assessment.

With the exception of IFRS 15, 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.

Notes to the financial statements (continued)

2. Significant accounting policies continued

Going concern

As noted in the Directors' report, these financial statements are prepared on a going concern basis.

Revenue recognition

Finance income is recognised over the hire purchase agreement term using the net investment method so as to reflect a constant periodic rate of return on the Company's net investment in the contract.

Net operating costs

Net operating costs comprise costs rechargeable by MOL.

Finance costs

Finance costs are recognised as an expense on an accruals basis, using the effective interest rate method.

Taxation

Taxation on the profit for the year comprises both current and deferred tax as well as adjustments in respect of prior years. Taxation is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also included within equity.

Current tax is the expected tax payable on the profit for the year, using tax rates enacted or substantively enacted by the balance sheet date.

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

Share capital

Ordinary share capital is classified as equity.

Financial instruments

Financial assets and liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities comprise trade and other receivables, cash and cash equivalents, hire purchase receivables, and loans from Group companies.

Financial assets

Trade and other receivables

Trade and other receivables are non-derivative finance assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods and services directly.

Trade receivables do not carry any interest and are stated at their nominal value, which approximates to the fair value because of their short maturities, as reduced by appropriate allowances for estimated irrecoverable amounts.

Hire purchase receivables

Under IAS 17, hire purchase agreements, which transfer substantively all the risks and rewards of ownership to the customer, are treated in the same way as finance leases.

Assets purchased by customers under hire purchase contracts are included in 'hire purchase receivables' at gross amount receivable, less unearned finance charges. Finance income is recognised over the lease term using a net investment method so as to reflect a constant periodic rate of return on the Company's net investment in the contract. Hire purchase receivable balances also include an allowance for estimated irrecoverable amounts by reference to past default experience.

Financial liabilities

Loan from Group companies

Loan from Group companies is initially measured at fair value, net of transaction costs. Loan from Group companies is subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis. The effective interest rate method is a method of calculating the amortised cost of a financial liability and allocating interest expense over the relevant period.

Derecognition of financial liabilities

The Company derecognises financial liabilities, when and only when, the Company's obligations are discharged, cancelled or they expire.

Notes to the financial statements (continued)

3. Revenue

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

	2014 £'000	2013 £'000
Hire purchase earnings	1,627	2,690
Total revenue	1,627	2,690

4. Segmental analysis

Motability Operations Group plc, of which the Company is a wholly owned subsidiary, is managed as a single integrated business unit. Accordingly, no segmental analysis is applicable.

5. Net operating costs

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

	2014 £'000	2013 £'000
Inter-company charges relating to early termination of hire purchase contracts and admin recharges	720	1,399
Other inter-company charges	2	2
Employee costs	-	-
Net operating costs	722	1,401

6. Auditors' remuneration

Audit fees	2014 £'000	2013 £'000
Auditors' remuneration: Company	21	21
Total audit fees	21	21
Other fees payable to Auditors	2014 £'000	2013 £'000
Auditors' remuneration: Audit fees paid on behalf of Parent Company and its other subsidiaries	257	221
Audit-related assurance services	65	47
Tax compliance services	-	-
Tax advisory services	-	-
Internal audit services	-	-
Other assurance services	39	24
Corporate finance services	-	-
Total other fees payable to Auditors	361	292

7. Finance costs

	2014 £'000	2013 £'000
Interest and charges on loan from group companies	-	30
Total finance costs	-	30

Notes to the financial statements (continued)

8. Taxation

The major components of the Company tax expense are:

	2014 £'000	2013 £'000
Current tax		
Charge for the year	199	296
Total tax on profit from continuing operations	199	296

The weighted average applicable tax rate is 22% (2013: 23.5%).

The tax on the Company's profit before tax is the same as (2013: is the same as) the theoretical amount that would arise using the weighted average tax rate applicable to profit as follows:

	2014 £'000	2013 £'000
Profit before taxation from continuing operations	905	1,259
Tax calculated at appropriate tax rates applicable to profit (2014: 22%; 2013: 23.5%)	199	296
Expenses not deductible for tax purposes	-	-
Utilisation of tax losses (group relief)	-	-
Total tax on profit from continuing operations	199	296

9. Hire purchase receivables

	2014 £'000	2013 £'000
Gross repayments receivable		
No later than one year	6,495	11,506
Later than one year and not later than five years	7,953	12,743
Total	14,448	24,249
Unearned income receivable		
No later than one year	(892)	(1,492)
Later than one year and not later than five years	(781)	(1,126)
Total	(1,673)	(2,618)
Net total within one year	5,603	10,014
Net total due in the second to fifth years inclusive	7,172	11,617
Present value of minimum hire purchase receivables	12,775	21,631

The average term of hire purchase agreements entered into is five years.

Hire purchase receivable balances are secured over the vehicle subject to hire purchase contracts. The Company is not permitted to sell or repledge the collateral in the absence of default by the customer.

The interest rate inherent in hire purchase agreements is fixed at the contract date. The effective interest rate ranges between 8% and 10% per annum, and reflects provisions for early termination losses and other costs (2013: 8%-10%).

Hire purchase receivable balances include an allowance for estimated irrecoverable amounts of £0.2m (2013: £0.4m). This allowance has been made by reference to past default experience. During the year there was a £0.1m increase in provision and £0.3m of receivables were written off (2013: £0.8m release of provision and £0.5m written off). There are no hire purchase receivables which are past due at the reporting date.

The fair value of the hire purchase receivables as at 30 September 2014 is estimated to be £12.9m (2013: £21.8m) using discount rates based on the market rate for similar consumer credit transactions.

Notes to the financial statements (continued)

10. Trade and other receivables

	2014 £'000	2013 £'000
Amounts due from MOL	21,843	12,347
Total	21,843	12,347

The inter-company receivables do not have a specified maturity date. The balance is non-interest bearing and denominated in sterling. The Directors consider that the carrying value of trade and other receivables approximates to their fair value.

There is no impaired receivable balance at the reporting date.

11. Ordinary share capital

The Company has one class of ordinary shares.

	2014	2013
Authorised:		
500,000 (2013: 500,000) Ordinary shares of £1 each	£500,000	£500,000
Issued and fully paid:		
320,000 (2013: 320,000) Ordinary shares of £1 each	£320,000	£320,000

12. Cash used in operations

Reconciliation of profit to net cash flow from operating activities:

	2014 £'000	2013 £'000
Profit before tax	905	1,259
Adjustments for:		
Finance costs	-	30
(Decrease)/increase in provisions	(174)	257
Operating cash flows before movements in working capital	731	1,546
Increase in receivables	(9,496)	(9,728)
Cash used in operations	(8,765)	(8,182)

Notes to the financial statements (continued)

13. Commitments

Debt issued by Motability Operations Group plc under the £4 billion Euro Medium Term Note Programme

The Company's ultimate parent, Motability Operations Group plc has £4 billion Euro Medium Term Bond Programme with denominations of GBP 50,000. The bonds were admitted to trading on London Stock Exchange's regulated market and have been admitted to the Official List. The £4 billion Euro Medium Term Note Programme of Motability Operations Group plc is unconditionally and irrevocably guaranteed on a joint and several basis by the Group companies, 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. As at 30 September 2014, total debt issued under the £4 billion Euro Medium Term Note Programme of Motability Operations Group plc amounts to £3.0 billion (2013: £2.8 billion).

14. Related parties

Related parties comprise the Directors (and their close family and service companies), the Motability Charity, MO Group and the subsidiaries of MO Group (namely Motability Leasing Limited ("MLL") - company number 06542987, Motability Operations Limited ("MOL") - company number 1373876, Route2mobility Limited ("R2m") - company number 04560102, Motability Operations Reinsurance Limited ("MORL") - company number 127747C) and the Shareholder Banks of MO Group. Transactions entered into with related parties are in the normal course of business and on an "arm's length" basis.

The Company had no transactions with Motability Charity during the year. The relationship of the Group to the Motability Charity is set out in the Business overview of the Group's annual report on page 2 which is not part of this report.

Transactions

As stated in the Directors' Report, vehicles for the Motability Hire Purchase scheme are purchased by MOL (a company which is also a subsidiary of MO Group) and provided via hire purchase finance facilities to customers wishing to buy the vehicles.

The HP earnings shown in the income statement of the Company is entirely received via MOL.

Direct costs rechargeable by MOL to the Company amounted to £722k during the year (2013: £1,401k).

The amount of monies owed by MOL at 30 September 2014 and 2013 is shown in note 10. At the year end there were no provisions for doubtful debts due from related parties and no amounts were written off in the period under review in respect of debts due to or from related parties.

15. Directors' remuneration and remuneration of key management personnel

The Directors and the Company Secretary received no remuneration for their services in the current year or prior year. There were no employees of the Company in the current or prior year. All administration services are provided by Motability Operations Limited.

Notes to the financial statements (continued)

16. Funding and financial risk management

Capital risk management

From the perspective of the Company, the capital risk management is integrated with the capital risk management of the Group and is not managed separately. Further discussion of the capital risk management, in the context of the Group as a whole, is provided on page 83 of the Group's annual report which does not form part of this report.

Significant accounting policies

Details of the significant accounting policies and methods adopted in respect of each class of financial asset, financial liability and equity instrument, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, are disclosed in note 2 to the financial statements.

Categories of financial instruments

	2014 carrying value £'000	2013 carrying value £'000
Non-derivative financial assets		
Hire purchase receivables	12,775	21,631
Trade and other receivables	21,843	12,347
Total non-derivative financial assets	34,618	33,978
Non-derivative financial liabilities		
Loan from Group companies	-	-
Total non-derivative financial liabilities	-	-
Net non-derivative financial assets	34,618	33,978

Fair value of financial instruments

		2014 carrying value £'000	2014 fair value £'000
Trade and other receivables	I	21,843	21,843
Hire purchase receivables – current	II	5,603	5,797
Hire purchase receivables – non-current	II	7,172	7,099
Loan from Group companies	III	-	-
Net non-derivative financial assets		34,618	34,739

- I non-interest bearing
- II bearing interest at fixed rate
- III bearing interest at floating rate based on actual funding costs of MO Group

		2013 carrying value £'000	2013 fair value £'000
Trade and other receivables	I	12,347	12,347
Hire purchase receivables – current	II	10,014	10,326
Hire purchase receivables – non-current	II	11,617	11,435
Loan from Group companies	III	-	-
Net non-derivative financial assets		33,978	34,108

- I non-interest bearing
- II bearing interest at fixed rate
- III bearing interest at floating rate based on actual funding costs of MO Group

Notes to the financial statements (continued)

16. Funding and financial risk management continued

Fair value of financial instruments continued

The fair values of financial assets and liabilities are determined as follows:

- The hire purchase receivables are interest bearing and the inherent interest rate is fixed at the contract date. The fair value of hire purchase receivables for disclosure purposes is estimated by a discount rate based on the market rate for similar consumer credit transactions
- The carrying value less impairment provision of trade and other receivables are assumed to approximate to their fair values due to the short-term nature of the trade and other receivables
- The fair value of the loan from Motability Operations Group plc approximates to the carrying value, as it bears interest at a commercial floating rate

IFRS 13 requires that the classification of financial instruments at fair value be determined by reference to the source of inputs, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2)
- inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs) (Level 3).

	2014			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Non-derivative financial assets				
Hire purchase receivables	—	12,896	—	12,896
Total	—	12,896	—	12,896

	2013			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Non-derivative financial assets				
Hire purchase receivables	—	21,761	—	21,761
Total	—	21,761	—	21,761

Financial risk management objectives

As with the capital risk management, the overall funding and financial risk management is integrated with the funding and financial risk management of the Group and is not managed separately. Further discussion of the detailed funding and financial risk management, in the context of the Group as a whole, is provided on pages 83-92 of the Group's annual report which does not form part of this report.

The Company's operations expose it to a variety of financial risks that include interest rate risk, credit risk and liquidity risk.

Interest rate risk and liquidity risk management

The Company's business is in run-off and is self-funded. Therefore, the Company has no interest rate or liquidity risk.

Credit risk management

The credit risk of the Company arises from hire purchase receivables and trade and other receivables. The credit risk of the Company is considered to be very low due to the fact that its principal source of income is derived from the Department for Work and Pensions through the assigned allowances receivable by the customers of MOL.

The Company's trade and other receivables are from MOL, which is a Group company. This concentration is a direct consequence of how the Company operates. The Company reduces credit risk by charging MOL regularly and monitoring the financial performance of MOL. Credit risk is considered minimal on inter-company receivables.

The carrying amount of financial assets recorded in the financial statements represents the Company's maximum exposure to credit risk.

Notes to the financial statements (continued)

17. Ultimate parent undertaking

The immediate and ultimate parent undertaking and the controlling party is Motability Operations Group plc which is a limited company incorporated and domiciled in the United Kingdom, whose shares are privately owned. Copies of Motability Operations Group plc's consolidated financial statements can be obtained from the Company Secretary at City Gate House, 22 Southwark Bridge Road, London SE1 9HB.