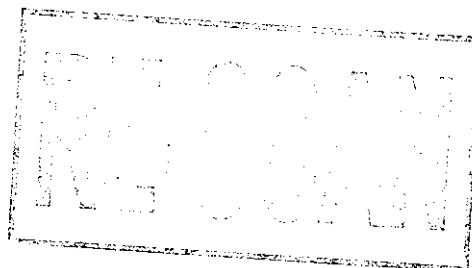


MG ROVER GROUP LIMITED

Report and Financial Statements

31 December 2002



**Deloitte & Touche LLP
Birmingham
United Kingdom**



127
1.11.03

MG ROVER GROUP LIMITED

REPORT AND FINANCIAL STATEMENTS 2002

CONTENTS	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	4
Independent auditors' report	5
Profit and loss account	6
Statement of total recognised gains and losses	7
Balance sheet	8
Notes to the accounts	9

MG ROVER GROUP LIMITED

REPORT AND FINANCIAL STATEMENTS 2002

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J Towers
P R Beale
J K Edwards
N J Stephenson
K B Howe
R W Beddow
C P Bowen
J H Millett
A R Oldaker
J W A Sanders (resigned 30 June 2003)
A J Shine

SECRETARY

J Ruston

REGISTERED OFFICE

International Headquarters
Longbridge
Birmingham
B31 2TB

BANKERS

HSBC
PO Box 68
130 New Street
Birmingham

Barclays
PO Box 5960
15 Colmore Row
Birmingham

SOLICITORS

Eversheds
115 Colmore Row
Birmingham
B3 3AL

AUDITORS

Deloitte & Touche LLP
Four Brindleyplace
Birmingham B1 2HZ
United Kingdom

MG ROVER GROUP LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

PRINCIPAL ACTIVITIES

The principal activities of the Company are the manufacture and sale of motor vehicles under the Rover and MG brands.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The year has seen a further step change improvement in the operating losses of the Company now in its third year under new ownership. During the year, the Company successfully launched the MG TF roadster and has re-entered a number of new markets such as Japan, Mexico and New Zealand through its subsidiary MG Rover Exports Limited.

Looking to the future, the Company will further enhance its range of products with the forthcoming launch of the CityRover and Streetwise.

RESULTS AND DIVIDENDS

The directors do not recommend the payment of a dividend (2001: £Nil). Losses transferred from reserves are £68.4 million (2001 (as restated – see note 9): £179.4 million).

DIRECTORS AND THEIR INTERESTS

The following directors served during the year:

J Towers	
P R Beale	
J K Edwards	
N J Stephenson	
K B Howe	
R W Beddow	
C P Bowen	
J H Millett	
A R Oldaker	
J M Parkinson	(resigned 26 April 2002)
J W A Sanders	(appointed 26 April 2002)
A J Shine	

J W A Sanders resigned as a director on 30 June 2003.

None of the directors had an interest in the share capital of the Company during the year. The interests of J Towers, P R Beale, J K Edwards, N J Stephenson and K B Howe in the share capital of Phoenix Venture Holdings Limited, the ultimate parent company, are disclosed in the accounts of that company. The interests of the other directors in the share capital of Phoenix Venture Holdings Limited are shown below.

	'C' Ordinary shares of £0.001 each	
	At 31 December 2001 or date of appointment	At 31 December 2002 or date of resignation
R W Beddow	750,000	750,000
C P Bowen	750,000	750,000
J H Millett	750,000	750,000
A R Oldaker	750,000	750,000
J M Parkinson	750,000	750,000
J W A Sanders	750,000	750,000
A J Shine	750,000	750,000

MG ROVER GROUP LIMITED

DIRECTORS' REPORT

RESEARCH AND DEVELOPMENT

The Company has its own research and development programme and is involved in advanced automobile engineering and new product and manufacturing technologies.

EMPLOYEES

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings, the company magazine and the annual shareholders' report. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests. The employee share scheme has been running successfully since its inception in 2000.

The Company policy and practice requires that entry into the company and progression within it are determined solely by the application of objective criteria and personal merit. The Company believes that employees with disabilities, whether registered disabled or medically constrained, should be treated fairly and with dignity with the aim of placing them into work roles where they can make a full contribution to the business. The need to treat all employees fairly and provide equal opportunity is paramount within the Company and the communication of this is covered within training programmes.

POLITICAL AND CHARITABLE DONATIONS

During the year the company made no political donations and made donations totalling £44,000 (2001 - £127,501) principally to charities supporting the motor industry.

AUDITORS

On 1 August 2003 Deloitte & Touche transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the LLP Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26 (5) of the Companies Act 1989.

The Company has elected to dispose with the obligation to appoint auditors annually and, accordingly, Deloitte & Touche LLP shall be deemed to be re-appointed as auditors for a further term under the provisions of section 386 (2) of the Companies Act 1985.

Approved by the Board of Directors
and signed on behalf of the Board



J Ruston
Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MG ROVER GROUP LIMITED

We have audited the financial statements of MG Rover Group Limited for the year ended 31 December 2002, which comprises the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the note of historical cost profit and losses and the related notes 1 to 24. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

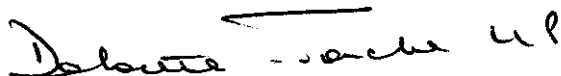
Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

Birmingham

8th October 2003

MG ROVER GROUP LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 December 2002

	Note	2002 £ million	2001 * Restated £ million
Turnover	2	1,493.3	1,320.7
Cost of sales		(1,284.2)	(1,139.9)
Gross profit		209.1	180.8
Distribution costs		(10.6)	(14.7)
Administrative expenses		(268.1)	(348.6)
OPERATING LOSS	4	(69.6)	(182.5)
Interest payable and similar charges	5	(10.4)	(10.2)
Other interest receivable and similar income	6	10.2	13.3
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(69.8)	(179.4)
Tax on loss on ordinary activities	7	1.4	-
LOSS FOR THE FINANCIAL YEAR	18	(68.4)	(179.4)

* The profit and loss account for the year ended 31 December 2001 has been restated for a change in accounting policy regarding provisions against investments and group debtors (see note 9).

All activities derive from continuing operations.

The accompanying notes are an integral part of this profit and loss account.

MG ROVER GROUP LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES Year ended 31 December 2002

	2002 £ million	2001 * Restated £ million
Loss for the financial year	(68.4)	(179.4)
Revaluation of subsidiary undertakings	-	(0.1)
Total recognised losses relating to the year	<u>(68.4)</u>	<u>(179.5)</u>
Prior year adjustment	47.9	
Total recognised losses since last financial statements	<u>(20.5)</u>	

* The statement of total recognised gains and losses for the year ended 31 December 2001 has been restated for the change in accounting policy regarding investments (see note 9)

NOTE OF HISTORICAL COST PROFITS AND LOSSES Year ended 31 December 2002

	2002 £ million	2001 * Restated £ million
Loss on ordinary activities before taxation	(69.8)	(179.4)
Realisation of property valuation gains of prior years	-	2.2
Historical cost loss on ordinary activities before taxation	<u>(69.8)</u>	<u>(177.2)</u>
Historical cost loss for the year retained after taxation	<u>(68.4)</u>	<u>(177.2)</u>

* The note of historical cost profits and losses for the year ended 31 December 2001 has been restated for the change in accounting policy regarding investments (see note 9)

MG ROVER GROUP LIMITED

BALANCE SHEET

31 December 2002

	Note	2002	2001
		£ million	*Restated (see note 9) £ million
FIXED ASSETS			
Tangible assets	8	103.4	63.6
Investments	9	31.1	31.1
		<u>134.5</u>	<u>94.7</u>
CURRENT ASSETS			
Stocks	10	183.3	189.9
Debtors:			
Amounts falling due within one year	11	270.8	371.5
Amounts falling due after one year	11	0.1	0.1
Investments: cash deposits with terms in excess of seven days	12	90.4	80.7
Cash at bank and in hand	12	63.8	35.5
		<u>608.4</u>	<u>677.7</u>
CREDITORS: amounts falling due within one year	13	(479.4)	(464.5)
NET CURRENT ASSETS		<u>129.0</u>	<u>213.2</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>263.5</u>	<u>307.9</u>
CREDITORS: amounts falling due after more than one year	14	(392.4)	(337.0)
PROVISIONS FOR LIABILITIES AND CHARGES	15	(114.4)	(145.8)
		<u>(243.3)</u>	<u>(174.9)</u>
CAPITAL AND RESERVES			
Called up share capital	16	523.4	523.4
Shares to be issued	17	212.5	212.5
Share premium account	18	1,265.7	1,265.7
Other reserve	18	85.9	85.9
Profit and loss account	18	(2,330.8)	(2,262.4)
TOTAL SHAREHOLDERS' FUNDS	19	<u>(243.3)</u>	<u>(174.9)</u>
Attributable to equity shareholders		(1,512.4)	(1,444.0)
Attributable to 'A' class non-equity shareholders		450.0	450.0
Attributable to 'B' class non-equity shareholders		819.1	819.1
Attributable to non-equity shareholders		<u>1,269.1</u>	<u>1,269.1</u>
		<u>(243.3)</u>	<u>(174.9)</u>

These financial statements were approved by the Board of Directors on 6 October 2003

Signed on behalf of the Board of Directors

P R BEALE

Director

The accompanying notes are an integral part of this balance sheet.

MG ROVER GROUP LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain land and buildings and investments in subsidiary undertakings.

Under the provisions of FRS 1, the Company has not prepared a cashflow statement as, the ultimate parent company, Phoenix Venture Holdings Limited, has prepared publicly available consolidated financial statements which include the financial statements of the Company for the year ended 31 December 2002.

Investments in subsidiary undertakings

The investments in subsidiary undertakings are stated at the lower of cost or net asset value of the subsidiary.

Group financial statements

These financial statements present information about the Company as an individual undertaking and not about its group. The Company is exempt under Section 228 on the Companies Act 1985 from the obligation to prepare group financial statements, being a wholly-owned subsidiary undertaking of Phoenix Venture Holdings Limited.

Government grants

Revenue based government grant are credited to the profit and loss account so as to match them with the expenditure towards which they are intended to contribute on the assumption that the conditions relating to the grant continue to be met.

Foreign currencies

Transactions in foreign currencies are converted at the rates prevailing at the date of transaction or, where forward cover contracts have been arranged, at the average contracted rates. Monetary assets and liabilities are translated at the rates ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Tangible fixed assets

Depreciation is provided on a straight line basis on the cost or valuation of each tangible fixed asset less estimated residual value, except freehold land and assets in the course of construction, at the following annual rates:

Freehold buildings and dealer properties	2.5%
Leasehold land and buildings	2.5% or by equal annual instalments over the period of the lease, whichever is the shorter.
Plant and machinery	10% to 25%
Special tools, dies and jigs	16.7% or over the life of the model concerned if less than six years.

An impairment in the value of such fixed assets is charged to the profit and loss account as it arises.

When implementing FRS15 MG Rover Group Limited did not adopt a policy of revaluing land and buildings. As the carrying value of land and buildings at 1 January 2000 included an element resulting from previous valuations, the transitional rules in FRS15 have been followed and the existing valuations have been frozen.

Research and development

All research and development expenditure, including the design and production of prototypes, is written off as incurred.

Similarly, all expenditure in respect of patents and trade marks is written off as incurred.

MG ROVER GROUP LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

1. ACCOUNTING POLICIES (CONTINUED)

Pensions

Contributions to the Pension Fund are assessed in accordance with advice from independent qualified actuaries and charged to the profit and loss account so as to spread the cost over the expected lives of the employees within the schemes. Variations from regular contributions are spread over the expected remaining service lives of the current employees. The transitional rules of FRS 17 Retirement Benefits have been applied for the first time this year.

Interest

Interest is accounted for on an accruals basis.

Leasing

Operating lease rentals are charged to income in equal annual amounts over the lease term.

Stocks

Stocks are valued at the lower of cost and estimated net realisable value. Finished products and work in progress are valued at cost of labour and materials with additions for appropriate manufacturing overheads.

Turnover

Turnover is recognised at the point of wholesale to third parties and represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes. Turnover excludes the sales value of estimated returns from the total sales value of the goods supplied to customers.

Taxation

Full provision is made for deferred taxation in respect of timing differences in accordance with FRS 19 Deferred Tax. Deferred tax assets are recognised to the extent it is regarded as more likely than not they will be recovered. Adopting FRS 19 has had no effect on the results of the current or previous financial year.

2. TURNOVER

The Company has a single class of business. The origin and destination of all turnover was the United Kingdom.

MG ROVER GROUP LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The figures below relate to the directors' remuneration for their qualifying service to MG Rover Group Limited. The total remuneration for directors of Phoenix Venture Holdings Limited, the ultimate parent company, are disclosed in the accounts of that company.

	2002 £	2001 £
Directors' remuneration		
Salary	2,003,519	2,027,805
Other emoluments	94,602	110,049
Pension contributions	548,737	190,364
	<u>2,646,858</u>	<u>2,328,218</u>
 The remuneration of the highest paid director was	 786,498	 536,958
 The accrued pension benefits of the highest paid director were £27,397 (2001 - £24,375)		
	No.	No.
Number of directors who are members of defined benefit pension scheme	<u>7</u>	<u>7</u>
 Average number of persons employed		
Production	3,630	3,643
Sales and marketing	191	251
Administration	1,241	1,141
	<u>5,062</u>	<u>5,035</u>
	£ million	£ million
Staff costs during the year (including directors)		
Wages and salaries	126.6	127.0
Social security costs	9.4	10.6
Pension costs	8.9	12.9
	<u>144.9</u>	<u>150.5</u>

4. OPERATING LOSS

	2002 £ million	2001 £ million
Operating loss is after charging/(crediting):		
Depreciation and amortisation		
Owned assets	17.3	21.3
Leased assets	0.3	-
Rentals under operating leases		
Hire of plant and machinery	1.0	1.3
Other operating leases	3.4	4.7
Research and development	77.9	28.6
Foreign exchange (gains)/losses	(11.3)	23.2
Redundancy costs	1.0	5.2
Auditors' remuneration		
Audit fees	0.3	0.3
Other services	1.3	0.1

MG ROVER GROUP LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £ million	2001 £ million
On loans from group undertakings	10.1	9.8
Finance charges payable in respect of finance leases and hire purchase contracts	0.1	-
Other interest payable	0.2	0.4
	<u>10.4</u>	<u>10.2</u>

6. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2002 £ million	2001 £ million
On bank deposits	9.5	11.7
Other interest receivable	0.7	1.6
	<u>10.2</u>	<u>13.3</u>

7. TAX CHARGE/(CREDIT) ON LOSS ON ORDINARY ACTIVITIES

	2002 £ million	2001 £ million
Group relief – adjustment in respect of prior years	1.4	-
Current tax credit	1.4	-

The current tax credit for the period is lower than that resulting from applying the standard rate of tax in the UK: 30% (2001 – 30%). The differences are explained below.

	Year ended 31 December 2002 £ million	Year ended 31 December 2001 £ million
Loss on ordinary activities before tax	(69.8)	(179.4)
Tax at 30% thereon:	20.9	53.8
Expenses not deductible for tax purposes	(1.5)	(1.2)
Capital allowances in excess of depreciation	42.5	1.4
Other timing differences	5.4	(13.8)
Group relief surrendered for no consideration	(36.7)	(2.8)
Unrelieved losses	(30.6)	(37.4)
Prior year group relief	1.4	-
Current tax credit	<u>1.4</u>	<u>-</u>

A deferred tax asset has not been recognised in respect of tax losses and unclaimed capital allowances carried forward within the company. As a result of a reorganisation of the Company in 2000, the amount of the potential deferred tax asset has not been agreed or determined, although it could be substantial.

MG ROVER GROUP LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

8. TANGIBLE FIXED ASSETS

	Plant and machinery		Special tools, dies and jigs		Total
	Owned £ million	Leased £ million	Owned £ million	Leased £ million	£ million
Cost or valuation					
At 1 January 2002	505.2	-	468.2	-	973.4
Additions	14.5	-	42.9	-	57.4
Disposals	(0.3)	-	(50.1)	-	(50.4)
Category transfer	-	-	(2.3)	2.3	-
At 31 December 2002	519.4	-	458.7	2.3	980.4
Accumulated depreciation and amortisation					
At 1 January 2002	493.4	-	416.4	-	909.8
Charge for the year	3.3	-	14.0	0.3	17.6
External disposals	(0.3)	-	(50.1)	-	(50.4)
Category transfer	-	-	(0.4)	0.4	-
At 31 December 2002	496.4	-	379.9	0.7	877.0
Net book value					
At 31 December 2002	23.0	-	78.8	1.6	103.4
At 31 December 2001	11.8	-	51.8	-	63.6

The net book value of tangible fixed assets at 31 December 2002 include £14.4 million (2001: £5.2 million) in respect of work in progress on unfinished major capital projects on which depreciation and amortisation is not charged until the project is completed and the assets brought into use.

The directors have performed a review for impairment of fixed assets in accordance with Financial Reporting Standard 11, "Impairment of fixed assets and goodwill". As a result, the directors consider the current carrying value of the fixed assets to be appropriate.

9. INVESTMENTS HELD AS FIXED ASSETS

	Cost £ million	Provisions £ million	Revaluation £ million	Net book value £ million
Shares in group undertakings				
At 1 January 2002 (restated) and at 31 December 2002	69.2	(39.0)	0.9	31.1

The valuation of investments is a directors' valuation based on the net assets of the subsidiary company at the end of the year.

To account for the impact of subsidiaries in line with the Parent company accounting policy, a prior year adjustment has been made to provide against irrecoverable intercompany debt rather than to provide for the net liabilities in subsidiary companies. This change of policy has resulted in an increase to investments of £29.9 million, a reduction in amounts owed by group undertakings of £70.9 million and a reduction in the provision for losses in subsidiaries of £16.5 million. This also resulted in a reduction in administrative expenses in 2001 of £47.9 million.

MG ROVER GROUP LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

9. INVESTMENTS HELD AS FIXED ASSETS (continued)

The following were the principal subsidiary companies of MG Rover Group Limited at 31 December 2002. The issued ordinary share capital is wholly owned; subsidiaries not owned directly are denoted by an asterisk. The principal activity of all companies other than MG Rover Overseas Holdings Limited (which is a non-trading holding company) is the sale of motor vehicles.

	Country of Incorporation
MG Rover Wholesale Limited	United Kingdom
MG Rover Exports Limited	United Kingdom
MG Rover Overseas Holdings Limited	United Kingdom
MG Rover (Leaseplan) Limited	United Kingdom
MG Rover (OUV) Limited	United Kingdom
Phoenix Venture Motors Limited	United Kingdom
MG Rover Group Benelux SA/NV *	Belgium
MG Rover France SA *	France
MG Rover Parts Metz *	France
MG Rover Deutschland GmbH *	Germany
MG Rover Ireland (Holdings) Limited *	Ireland
MG Rover Italia SpA *	Italy
MG Rover Nederland BV *	Netherlands
MG Rover Portugal Ldas *	Portugal
MG Rover Espana SA *	Spain

10. STOCKS

	2002 £ million	2001 £ million
Raw materials and consumables	0.1	1.2
Work-in-progress	18.2	23.3
Finished goods and goods for resale	165.0	165.4
	<u>183.3</u>	<u>189.9</u>

11. DEBTORS

	2002 £ million	2001 *Restated (see note 9) £ million
Amounts falling due within one year		
Trade debtors	28.0	84.5
Amounts owed by group undertakings	240.1	240.1
Other debtors	2.7	46.9
	<u>270.8</u>	<u>371.5</u>
Amounts falling due after more than one year		
Prepayments and accrued income	0.1	0.1
	<u>270.9</u>	<u>371.6</u>

The prior year figures have been restated due to a change in accounting policy regarding provisions against investments and amounts owed by group undertakings

MG ROVER GROUP LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

12. CASH AT BANK AND IN HAND

Included within cash at bank and cash held on deposit are the following amounts:

- £5 million (2001 - £19 million) in respect of collateralised amounts on which all restrictions have been released since the year end

- £72 million (2001 - £38 million) on which there are external arrangements restricting its use.

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £ million	2001 £ million
Obligations under finance leases	0.6	-
Trade creditors and bills payable	93.9	118.0
Amounts owed to group undertakings	49.3	35.0
Other taxes and social security costs	12.6	4.4
Other creditors	111.2	39.8
Accruals and deferred income	221.8	267.3
	<u>479.4</u>	<u>464.5</u>

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2002 £ million	2001 £ million
Interest bearing loans from group undertakings	391.5	337.0
Obligations under finance leases	0.9	-
	<u>392.4</u>	<u>337.0</u>

MG ROVER GROUP LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

15. PROVISIONS FOR LIABILITIES AND CHARGES

	Provision against subsidiaries £ million	Warranty costs £ million	Rationalisation costs £ million	Provision for exchange losses £ million
Balance at 1 January 2002 as previously reported	16.5	98.4	0.9	7.7
Prior year adjustment (see note 9)	(16.5)	-	-	-
Balance at 1 January 2002 as restated	-	98.4	0.9	7.7
Provisions created	-	52.1	3.6	-
Provisions released	-	(12.7)	(0.9)	-
Provisions utilised	-	(41.5)	(2.4)	(7.7)
Balance at 31 December 2002	-	96.3	1.2	-
	Disaggregation provisions £ million	Pension provision £ million	Other provisions £ million	Total £ million
Balance at 1 January 2002 as previously reported	25.6	-	13.2	162.3
Prior year adjustment (see note 9)	-	-	-	(16.5)
Balance at 1 January 2002 as restated	25.6	-	13.2	145.8
Provisions created	2.0	0.1	-	57.8
Provisions released	(6.2)	-	(1.5)	(21.3)
Provisions utilised	(16.2)	-	(0.1)	(67.9)
Balance at 31 December 2002	5.2	0.1	11.6	114.4

Detailed information has not been provided on the provisions relating to the disaggregation of the company at April 2000 that relate to disputes with suppliers, disputes arising from residual value adjustments and litigation matters, in accordance with FRS 12:97, as in the opinion of the directors this would be seriously prejudicial to the company.

It is anticipated that these provisions will be utilised within the next 5 years.

MG ROVER GROUP LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

16. CALLED UP SHARE CAPITAL

	2002 £ million	2001 £ million
Authorised		
Ordinary shares of £1 each	520.0	520.0
"A" Redeemable ordinary shares of £1 each	1.0	1.0
"B" Redeemable ordinary shares of £1 each	3.0	3.0
	<u>524.0</u>	<u>524.0</u>
Called up, allotted and fully paid		
Ordinary shares of £1 each	520.0	520.0
"A" Redeemable ordinary shares of £1 each	1.0	1.0
"B" Redeemable ordinary shares of £1 each	2.4	2.4
	<u>523.4</u>	<u>523.4</u>

The redeemable ordinary shares are redeemable at the option of either the Company or the shareholder subject to certain conditions. A premium of £449 per share is payable on the redemption of one million "A" shares and a premium of £333 per share is payable on the redemption of 2.4 million "B" shares.

The dividend rights, voting rights and rights on the winding up of the Company of the redeemable ordinary shares rank pari passu with the ordinary shares.

17. SHARES TO BE ISSUED

One ordinary share is to be issued to BMW (UK) Holdings Limited under the sale and purchase agreement dated 9 May 2000 for consideration of £147,493,304. This share is to be issued to capitalise indebtedness to BMW (UK) Holdings Limited at 9 May 2000.

A further ordinary share is to be issued to BMW (UK) Holdings Limited for consideration of £65,000,000. This share is to be issued to settle the dispute arising from the acquisition of MG Rover Group by Techtronic (2000) Limited on 9 May 2000.

18. RESERVES

	Share premium account £ million	Other reserve £ million	Profit and loss account £ million
Balance at 1 January 2002 as previously reported	1,265.7	85.9	(2,237.9)
Prior year adjustment (see note 9)	-	-	(24.5)
Balance at 1 January 2002 as restated	1,265.7	85.9	(2,262.4)
Loss for the financial year	-	-	(68.4)
Balance at 31 December 2002	<u>1,265.7</u>	<u>85.9</u>	<u>(2,330.8)</u>

MG ROVER GROUP LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT

	2002 £ million	2001 *Restated (see note 9) £ million
Loss for the financial year	(68.4)	(179.4)
Shares to be issued	-	65.0
Other recognised gains and losses	-	(0.1)
Net reduction in to shareholders' funds	(68.4)	(114.5)
Opening shareholders' deficit (as restated)	(174.9)	(60.4)
Closing shareholders' deficit	(243.3)	(174.9)

20. FINANCIAL COMMITMENTS

	2002 £ million	2001 £ million
Capital commitments		
Contracted for but not provided	13.7	14.0

Operating lease commitments

Payments totalling £2.7 million (2001: £5.0 million) were committed at the end of the year to be made during the following year in respect of operating leases, analysed as follows:

	2002		2001	
	Land and Buildings £ million	Other £ million	Land and Buildings £ million	Other £ million
Leases which expire:				
Within one year	-	1.4	0.7	2.9
Within two to five years	0.9	-	1.2	-
After five years	0.4	-	0.2	-
	1.3	1.4	2.1	2.9

MG ROVER GROUP LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

21. CONTINGENT LIABILITIES

Included within the cash balance is £57,389,000 (2001 - £24,947,050) which is payable to First National Motor Finance if there is default of payment by dealers.

In September 2000, the European Parliament passed Directive 2000/53/EC on end-of life vehicles. As part of this Directive, vehicle manufacturers and professional vehicle importers would be responsible for a significant part of the end of life costs of collecting, disposing and recycling new cars put on the road before 2002. Member states were required to enact legislation by 21 April 2002, however this has been delayed and is expected to be finalised during 2003. There are a number of uncertainties surrounding the exact form and implementation of the legislation in the UK. However, a contingent liability exists at the balance sheet date in respect of the disposal of cars manufactured since 1 July 2002 and for those manufactured before 1 July 2002 that are estimated to reach their end of lives after 1 January 2007.

In the UK, for vehicles still on the road after 1 January 2007, the group may be legally obligated to pay towards their collection, disposal and recycling at the end of their lives.

The Company has sold approximately 50,000 cars since 1 July 2002 for which it may be legally obliged to pay towards their collection, disposal and recycling at the end of their lives. The Company estimates that approximately 1,375,000 cars sold prior to 1 July 2002 in the UK will still be on the road after 1 January 2007.

However, based on the actions the Company would plan to take to recover costs in respect of this proposed legislation, the directors consider that this does not constitute a material contingent liability as at 31 December 2002.

22. PENSIONS

The Company participates in defined benefit schemes, the assets of which are held in separate trustee administered funds.

Up to 8 May 2001, the Company participated in the Rover Group Pension Scheme with BMW as the principal employer. The contributions to this scheme are based on pension costs across the Group as a whole. Details of this scheme can be found in the accounts of BMW UK subsidiaries. From this date, this scheme no longer accepted MG Rover Group Limited employees as members for future pension arrangements. All permanent employees were invited to join the MG Rover Group Pension Scheme. Existing pensioners and deferred pensioners will continue to be covered by the Rover Group Pension Scheme. Employees were given the option to leave their accrued benefits in that scheme or transfer them to the new scheme.

The net pension cost paid into the Rover Group Pension Scheme in the period was £nil (2001 - £1.7 million).

MG ROVER GROUP PENSION SCHEME

The net pension cost paid into the MG Rover Group Pension Scheme in the year was £10.0 million (2001 - £11.2 million).

In accordance with FRS 17, the company will account for its contributions to the scheme as if it were a defined contribution scheme because it is not possible to identify the company's share of the assets and liabilities in the scheme on a consistent and reasonable basis. Company contributions are charged against profits for the period to which they relate.

Full disclosure under SSAP24 and FRS17 regarding the MG Rover Group Pension Scheme can be found in the group report and accounts for Phoenix Venture Holdings Limited. An actuarial valuation of the scheme was carried out at 31 December 2001 and updated by an independent actuary to take account of the requirements of FRS17 in order to assess the liabilities of the scheme as at 31 December 2002.

MG ROVER GROUP LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

22. PENSIONS (continued)

The major assumptions used for the actuarial valuation were:

	2002 Per Annum	2001 Per Annum
Discount rate	5.50%	5.80%
Price inflation	2.30%	2.50%
Earnings increases	2.50%	2.75%
Increases to pensions in payment	2.25%	2.50%

Where fixed increases in payment or revaluations in deferment apply, the relevant rate has been used.

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

	2002 %	2002 £ million	2001 %	2001 £ million
Equities	7.00	186.9	7.00	277.1
Bonds	5.00	90.7	5.00	29.2
Total fair value of assets		277.6		306.4
Present value of liabilities		(350.5)		(307.3)
Deficit in pension arrangements		(72.9)		(0.9)
Related deferred tax asset		-		-
Net pension liability		(72.9)		(0.9)

The contribution rate for 2002 was 7.5% of pensionable earnings and the average agreed contribution rate for the next year is 7.7% of pensionable earnings.

23. RELATED PARTY TRANSACTIONS

Under Financial Reporting Standard 8, the Company is exempt from the requirement to disclose transactions with entities that are part of the Group on the grounds that it is wholly owned by a parent undertaking which includes the Company in its own published consolidated financial statements.

During the year, the Company purchased £897,476 (2001 - £1,526,236) of consultancy services from Mira, of which N J Stephenson is a director. The year end balance due to Mira was £271,972 (2001 - £207,017).

24. ULTIMATE PARENT COMPANY

The Company's immediate parent company is Techtronic (2000) Limited, a company registered in England and Wales.

The ultimate parent company and controlling entity is Phoenix Ventures Holdings Limited, a company registered in England and Wales. The group in which the results of the Company are consolidated is that headed by the ultimate parent company and copies of the accounts of this company can be obtained from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.

MG ROVER GROUP LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

SUPPLEMENTARY NOTE

This note revises note 13 in the original accounts which contained a typographical error. The revised note 13 is given below:

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £ million	2001 £ million
Obligations under finance leases	0.6	-
Trade creditors and bills payable	93.9	118.0
Amounts owed to group undertakings	49.3	35.0
Other taxes and social security costs	12.6	4.4
Other creditors	101.2	39.8
Accruals and deferred income	221.8	267.3
	<u>479.4</u>	<u>464.5</u>

This note should be treated as forming part of the original accounts. The note has been prepared as at the date of the original accounts and not as at the date of revision and accordingly does not deal with events between those dates.

This note was approved by the board of directors on 22 January 2004.

Signed on behalf of the Board of Directors



J H MILLETT

Director

~~05-03-04~~
~~489~~

201

26.4.04.

RID 0328
COMPANIES HOUSE 10/12/04
A05 0713
COMPANIES HOUSE 10/02/04