

**Company Registration No. 05779958**

**MG Motor UK Limited**

**Report and Financial Statements**

**Year ended 31 December 2011**

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# **MG Motor UK Limited**

## **Report and financial statements**

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# **MG Motor UK Limited**

## **Report and financial statements**

### **Officers and Professional Advisers**

#### **Directors**

Zhixin Chen (China)  
Jun Jiang (China)  
Hao Wang (China)  
Sijie Zu (China)

#### **Secretary**

Cheng Cai (China)

#### **Registered office**

International Headquarters  
Q Gate  
Low Hill Lane  
Longbridge  
Birmingham  
B31 2BQ

#### **Bankers**

Bank of China  
98 Cannon Street  
London  
EC4N 6HA

HSBC Bank plc  
PO Box 68  
130 New Street  
Birmingham  
B2 4JU

#### **Auditor**

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Birmingham, UK

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# **MG Motor UK Limited**

## **Report and financial statements**

### **Directors' Report**

The directors present their annual report and the audited financial statements for the year ended 31 December 2011

#### **Activities**

The principal activities of the company is the assembly and sale of automotive vehicles, the provision of after sale service, the sale of automotive parts to group companies, and the provision of support services to group companies

#### **Business performance and future prospects**

The company (referred to as MGUK below) generated a turnover of £11,363,000 (2010 £11,385,000) in 2011. Revenues from vehicle sales increased by 18% in 2011 over 2010. Sales of other service also increased significantly. At the same time, there are also material reductions in other income and parts sales to group companies in China. The loss after tax amounted to £4,648,000 (2010 £392,000). The significant increase in operational loss was due to the reduction in parts sales and other income from group companies in 2011. The net liability and shareholders deficit at 31 December 2011 were £12,663,000 (2010 £8,015,000). The increase in net liability and shareholders deficit is due to the operating loss in the year.

2011 has been a special year for MGUK. First, MGUK launched a brand new UK-designed and assembled car (MG6) in 2011. The Prime Minister of China came to Longbridge to witness the Launch of MG6. In July 2011, the Party Secretary of Shanghai Municipality came to visit MGUK's plant to witness the launch of MG6 GT. Moreover, the Royal Highness, Prince Andrew came to visit MGUK's plant in December 2011. It is rare to have three VIPs come to visit our plant in a single year. Of the former two visits, each time, the Chairman of SAIC Motor Corporation, Mr. Hu Mao Yuan, and Executive Vice President of SAIC Motor, Mr. Chen Zhixin came to visit our plant with the VIPs as well. These visits significantly boosted the image of MGUK and the moral of MGUK employees. The visits also showed the strong commitment of SAIC Motor Corporation to MGUK's success.

The company produced 1145 cars in the year as against 153 units in 2010. Sales in 2011 was 304 units while it was 230 units in 2010. It has been a challenge to introduce new models in the UK market. Despite a number of good features such as space, good handling, and value for money, etc. for MG6, it will take a while for our potential customers to recognize the value of this car. We firmly believe that the value of our product will gain the recognition by the market in the near future.

The company had signed a lease buy-back agreement with Avis Rent A Car Ltd in November 2011 for the lease and buyback of 500 cars. Per the agreement, the company would deliver 100 cars to Avis each month from December 2011 to April 2012 and will buyback the cars eight months after delivery in accordance with the agreement. The company believes that this deal would increase the visibility of MG6 and enhance the awareness of the product.

The MG6 Euro NCAP safety test was published in November 2011. It was awarded 4 stars. This is a very positive result considering that (a) this is MGUK's first newly designed vehicle launched in the UK market, (b) comparing with other OEMs, of which 5 other vehicles in this set of tests were awarded the 4 star rating including the Jaguar XF. This also shows MGUK's commitment to develop new MGs in line with its brand position of "safety first".

Moreover, the company is very pleased to see the MG6 was awarded the "What Car? 2012 Security Award" in January 2012, the first major honour for the new car. What Car? Honours are not given lightly so that makes this award more special.

MGUK is currently engaged in the preparation for the launch of the diesel version of MG6 in late 2012. Since diesel engine powered vehicles account for about 70-80% of the market in this segment, we believe the introduction of the diesel model will significantly enhance sales.

# **MG Motor UK Limited**

## **Report and financial statements**

### **Directors' Report (continued)**

At the same time, MGUK is also busy preparing for the launch of a small car-(MG3), in the middle of 2013. The smaller car will be in the A segment of the car market and will be attractive to a wider market. The MG3 will be an affordable car in the market place.

#### **Financial risk management objectives and policies**

The company's activities expose it to a number of financial risks detailed below.

##### *Credit risk*

The company's credit risk is primarily attributed to trade receivables. The risk is minimised as most trade receivables are from within the Group (SAIC Motor Corporation Ltd, referred to as 'SAIC Motor' underneath), and the directors believe that the risk of default is not significant. In addition, the risk from sales receivables is minimised by the funding arrangements for the dealers.

The company entered into a debtor factoring agreement with GE Commercial Distribution Finance Europe Limited ("CDF") on 28 November 2007. Under this agreement, CDF will purchase certain receivables pursuant to the purchase agreements entered into by the company and a dealer under a credit limit set by CDF. Current credit limits granted to each dealer varies between £50,000 and £150,000. The company has adopted separate presentation in respect of gross trade debtor receivable from the dealers and trade payables refundable to CDF in case of dealer default. An amount of £2,226,000 (2010: £764,000) is included in the trade debtor balance as at 31 December 2011. Management has assessed the recoverability of the trade debtor receivable from the dealers and has concluded there is no significant risk of doubtful debt as at 31 December 2011. Hence, a bad-debt provision of £114,000 (2010: £52,000) was made in this regard. There is no definite term of the debtor factoring agreement and it can be terminated by either party by giving 3-months notice.

Subsequent to the year end, MGUK has entered into a new debtor factoring agreement with GMAC UK PLC (GMAC) in January 2012. The new agreement with GMAC is similar to the agreement with CDF in terms of the key terms and conditions. We believe that there will be a smooth transition from the agreement with CDF to the agreement with GMAC.

The agreement with GMAC is a five-year agreement, which can be terminated by either party by giving 6-month notice.

##### *Cash flow risks*

The company's cash flow has been fairly strong throughout the year of 2011 with an average monthly cash balance of £5.8 million. The timely collection of receivables from the Group companies contributed to the strong cash position in 2011.

##### *Liquidity risk*

In order to maintain liquidity and to ensure sufficient funds are available for ongoing operations and future development the company relies on financial support from its parent company.

In order to secure the liquidity and stability of the company's cashflow, two interest-free loan agreements of £40,000,000 in total signed between Nanjing Automobile Corporation UK Limited (NAC UK) and Nanjing Automobile (Group) Corporation China (referred to as "NAC China" underneath), an intermediate holding company within the SAIC Group, remained valid and have been extended to 31 December, 2013. Neither new drawdowns of the loan nor repayments of the loan occurred in 2011 under these loan agreements. NAC China will support the continuation of the operation of the company for at least one year from the date this report was signed.

#### **Dividends**

The directors do not recommend payment of a dividend for the year ended 31 December 2011 (2010: £nil).

# **MG Motor UK Limited**

## **Report and financial statements**

### **Directors' Report (continued)**

#### **Going concern**

At the year end the group holds a cash balance of £3 7million which is considered to be at a healthy level. In addition as the group holds a strong financial support from its parent company for its future development a non legally binding letter of support has been obtained from NAC China, an intermediate holding company to NAC UK within the SAIC Group, confirming that NAC China will support the continuation of operations of the company for at least a year from the date this report is signed.

In addition, the company entered into a debtor factoring agreement with GMAC on 11 January 2012. Details of such agreement can be found in "Credit risk" section above. Under the agreement MG Motor UK Ltd gets paid upfront by GMAC before cars are sold by the dealers to end customers.

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 annual report and accounts. No material uncertainties leading to significant doubt about going concern have been identified.

#### **Directors**

The directors of the company, who served throughout the financial year unless stated otherwise, are as disclosed on page 1.

#### **Environmental responsibility**

The company recognises the importance of environmental responsibility and aims to comply with all relevant environmental legislation.

#### **Employee participation and disabled employees**

Employee participation and consultation has continued to benefit the company.

A time banking system and the use of agency contract labour has allowed a flexible approach to hours worked particularly within the production areas.

It is the policy of the company to support the employment of disabled persons where possible, both in recruitment and by the retention of employees who become disabled whilst in the employment of the company as well as generally through training and career development.

#### **Disclosure of information to the auditor**

Each of the persons who are a director at the date of approval of this report confirms that

- So far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware, and
- The directors have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

# **MG Motor UK Limited**

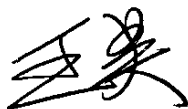
## **Report and financial statements**

### **Directors' Report (continued)**

#### **Auditor**

Deloitte LLP has expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Board Meeting

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



Hao Wang

Director

28 September 2012

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## **MG Motor UK Limited**

### **Report and financial statements**

#### **Directors' responsibilities statement**

The directors are responsible for preparing the Annual 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards 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 proper accounting records that 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.



## **Independent auditor's report to the members of MG Motor UK Limited**

We have audited the financial statements of MG Motor UK Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 auditor**

As explained more fully in the Directors' Responsibilities Statement, 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). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

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

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Peter Gallimore FCA (Senior statutory auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Birmingham, United Kingdom

28 September 2012

# MG Motor UK Limited

## Profit and loss account Year ended 31 December 2011

		2011	2010
	Note	£'000	£'000
Turnover	2	11,363	11,385
Cost of sales		(10,030)	(10,212)
<b>Gross profit</b>		<b>1,333</b>	<b>1,173</b>
Other operating income	5	2,444	9,896
Administrative expenses (including in 2010 exceptional cost of £1,775,000 )		(8,390)	(11,438)
<b>Operating (loss)</b>	4	<b>(4,613)</b>	<b>(369)</b>
Net interest (payable)	6	(35)	(23)
<b>(Loss) on ordinary activities before taxation</b>		<b>(4,648)</b>	<b>(392)</b>
Tax on loss on ordinary activities	7	-	-
<b>(Loss) on ordinary activities after taxation for the financial year</b>	15	<b>(4,648)</b>	<b>(392)</b>

All activities derive from continuing operations

There have been no recognised gains and losses for the current or the prior period other than as stated in the profit and loss account above and, accordingly, separate statement of total recognised gains and losses is presented

# MG Motor UK Limited

## Balance sheet 31 December 2011

	Note	2011 £'000	2010 £'000
<b>Fixed assets</b>			
Tangible fixed assets	8	4,443	3,956
		<u>4,443</u>	<u>3,956</u>
<b>Current assets</b>			
Stocks	9	9,033	379
Debtors			
- due within one year	10	7,494	8,783
- due after one year	11	180	-
Cash at bank and in hand		3,658	9,018
		<u>20,365</u>	<u>18,180</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(9,842)</u>	<u>(2,231)</u>
<b>Net current assets</b>		<u>10,523</u>	<u>15,949</u>
<b>Total assets less current liabilities</b>		<u>14,966</u>	<u>19,905</u>
<b>Creditors: amounts falling due after more than one year</b>			
<b>Long term loan</b>	13	(26,878)	(26,477)
<b>Provisions for liabilities</b>	18	<u>(751)</u>	<u>(1,443)</u>
<b>Net liabilities</b>		<u><u>(12,663)</u></u>	<u><u>(8,015)</u></u>
<b>Capital and reserves</b>			
Called up share capital	14	21,585	21,585
Profit and loss account (deficit)	15	<u>(34,248)</u>	<u>(29,600)</u>
<b>Total equity shareholders' (deficit)</b>	16	<u><u>(12,663)</u></u>	<u><u>(8,015)</u></u>

These financial statements of MG Motor UK Limited, registered number 05779958, were approved and authorised for issue by the Board of Directors on 28 September 2012.

Signed on behalf of the Board of Directors



Hao Wang  
Director

# MG Motor UK Limited

## Notes to the financial statements Year ended 31 December 2011

### 1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. Prior year figures have been reclassified to be consistent with current year presentation. These reclassifications have not affected the loss on ordinary activities before/after taxation.

On the balance sheet a new line 'Provisions for liabilities' (note 18) has been included, previously this provision was included as part of the creditors falling due within one year (note 12).

The principal accounting policies adopted described below have been consistently adopted in current and prior years.

#### Going concern

The financial statements have been prepared on a going concern basis. At the year end the group holds significant cash balance of £3.7 million which is considered sufficient to cover its liabilities in foreseeable future. In addition as the group holds a strong financial support from its parent company for its future development therefore a letter of support has been obtained from Nanjing Automobile (Group) Corporation (NAC China), an intermediate holding company within the SAIC Group, confirming that NAC China will support the continuation of operations of the company for at least a year from the date this report is signed.

In addition, the company entered into a debtor factoring agreement with GMAC on 11 January 2012. Details of such agreement can be found in "Credit risk" section on page 4 of the directors report. Under the agreement MG Motor UK Ltd gets paid upfront by GMAC before cars are sold by the dealers to end customers. This agreement will replace the previous agreement with GE Commercial Distribution Finance Europe Limited.

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 annual report and accounts. No material uncertainties leading to significant doubt about going concern have been identified.

#### Accounting convention

The financial statements are prepared under the historical cost convention.

#### Cash flow statement

The company has taken advantage of the exemption under Financial Reporting Standard No. 1 (revised 1996) from the requirements to prepare a cash flow statement as the company is a wholly owned subsidiary undertaking of SAIC Motor Corporation Limited whose financial statements for the year ended 31 December 2011 includes a consolidated cash flow statement and are publicly available.

#### Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life, as follows:

#### Depreciation method for assets acquired before 1 September 2010

Leasehold improvement	20% per annum straight-line
Plant and machinery	12.5% -15% per annum straight-line
Electronics equipment	16.67% per annum straight-line
Motor vehicles	25% per annum straight-line

# MG Motor UK Limited

## Notes to the financial statements (continued) Year ended 31 December 2011

### 1. Accounting policies (continued)

#### Tangible fixed assets (continued)

##### Depreciation method for assets acquired before 1 September 2010

Leasehold improvement	20% per annum straight-line
Plant and machinery	10% per annum straight-line
Electronics equipment	20% per annum straight-line
Motor vehicles	16 67% per annum straight-line

Residual value is 5% of the original book value

Properties in course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss

#### Stocks

Stocks and work-in-progress are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and production overheads appropriate to the relevant stage of production. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

#### Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

#### Leases

Operating lease rentals are charged to income on a straight line basis over the lease term.

#### Foreign currencies

Exchange differences on normal trading transactions are reflected in the profit and loss account for the year. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange ruling at that date.

#### Pension Costs

For defined contribution schemes the amount charged to the profit and loss in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

# MG Motor UK Limited

## Notes to the financial statements (continued) Year ended 31 December 2011

### 1. Accounting policies (continued)

#### Government grants

Government grants relating to tangible fixed assets are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned. Other grants are credited to the profit and loss account as the related expenditure is incurred.

#### Turnover

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and Value Added Tax. Turnover from the sale of goods is normally recognised when the goods are physically delivered to the customer, but it was felt prudent to not recognise the sales of vehicles that remained in stock at dealers at the end of the year. This policy will be reviewed on a regular basis.

In 2011 MG UK entered into an agreement with Avis Ltd (a car rental company) to sell them 500 vehicles on a sale and buy back basis, with 100 vehicles being delivered in the current year and the balance in 2012. The revenue of this agreement has been accounted for in the year to 31<sup>st</sup> December 2011 and any losses have been written off in the current year's accounts.

### 2. Turnover by location

	2011 £'000	2010 £'000
With third parties (in UK)	7,312	2,686
With third parties (in rest of Europe)	-	50
Within the SAIC Group (in China)	4,051	8,649
	<u>11,363</u>	<u>11,385</u>

#### Turnover by activity

	2011 £'000	2010 £'000
Sale of vehicle	2,794	2,363
Sale of parts	4,057	8,128
Other services	4,512	894
	<u>11,363</u>	<u>11,385</u>

### 3. Information regarding directors and employees

Remuneration to the directors was paid by company's parent company for their services. No part of this remuneration is directly attributable to their services to this company. No charges have been made in respect of the directors' services during the year (2010: £nil).

	2011 Number	2010 Number
Average number of persons employed		
Production	30	28
Sales, distribution and administration	56	56
	<u>86</u>	<u>84</u>

# MG Motor UK Limited

## Notes to the financial statements (continued) Year ended 31 December 2011

### 3. Information regarding directors and employees (continued)

	2011 £'000	2010 £'000
<b>Staff costs during the period</b>		
Wages and salaries	2,614	2,704
Social security costs	262	261
Pension cost	62	60
	<u>2,938</u>	<u>3,025</u>

### 4. Operating loss

	2011 £'000	2010 £'000
<b>Operating loss is stated after charging (crediting)</b>		
Depreciation on tangible fixed assets	1,035	1,190
Tangible fixed assets impairment-exceptional	-	1,775
Rentals under operating leases		
-Plant & machinery	14	95
-Other operating leases	1,663	1,475
Government grant	(51)	-
	<u>1,658</u>	<u>3,465</u>

The analysis of auditor's remuneration is as follows

	2011 £'000	2010 £'000
Fees payable to the company's auditor for the audit of the company's annual accounts	40	36
Total non-audit fees	<u>-</u>	<u>-</u>

### 5. Other Income

	2011 £'000	2010 £'000
Government grant	51	-
Other revenue	169	-
Rental income*	2,224	9,896
	<u>2,444</u>	<u>9,896</u>

\* Rental income relates to income received from SAIC Motor UK Technical Centre Ltd (SAIC Motor), a fellow subsidiary of SAIC Group, which joined the company in the Longbridge site at the beginning of 2010, sharing the facilities of the Longbridge site and reducing costs

## MG Motor UK Limited

### Notes to the financial statements (continued) Year ended 31 December 2011

#### 6. Net interest (payable)

	2011 £'000	2010 £'000
Bank charges	(32)	(28)
Foreign exchange (loss)	(19)	(13)
Bank deposit interest	16	18
	<u>(35)</u>	<u>(23)</u>

#### 7. Tax on loss on ordinary activities

##### a) Factors affecting the tax charge for the period

The tax assessed for the period is lower than that resulting from applying the standard rate of corporation tax in the UK 26.5% (2010 28%). The differences are explained below

	2011 £'000	2010 £'000
<b>Current tax reconciliation:</b>		
Loss on ordinary activities before tax	(4,648)	(392)
Tax at 26.5% (2010 28%)	(1,232)	(110)
Effects of		
Expenses not deductible for tax purposes	1	427
Depreciation in excess of capital allowance	210	(18)
Other timing differences	167	50
Carryforward/(utilisation) of tax losses	(1,610)	(349)
	<u>1,232</u>	<u>110</u>
<b>Total current tax charge</b>	<u>-</u>	<u>-</u>

##### b) Factors that may affect future tax charges:

The Company has unused tax losses of £34,703,000 (2010 £29,108,000) which are available to offset future trading profits

The company has unrecognised deferred tax assets in relation to these tax losses of £8,676,000 (2010 £7,859,000) and unclaimed capital allowances of £654,000 (2010 £934,000) and other timing differences of £309,000 (2010 £480,000) which have not been recognised due to uncertainty as to the timing of future utilisation

The main rate of corporation tax reduced from 27% to 26% with effect from 1 April 2011. In addition, the 2011 Budget introduced a reduction in the main rate to 25% with effect from 1 April 2012. As this rate reduction was substantively enacted on 19 July 2011, it has been used to calculate the deferred tax balances at 31 December 2011.

In the 2012 Budget, issued on 21 March 2012, the Chancellor announced that the main rate of corporation tax would be further reduced to 24% with effect from 1 April 2012, with further annual 1% rate reductions down to 22% by 1 April 2014. As these future rate reductions had not been substantively enacted at the balance sheet date, they have not been reflected in these financial statements. The effect of these tax rate reductions will be accounted for in the period they are substantively enacted.



## MG Motor UK Limited

### Notes to the financial statements (continued) Year ended 31 December 2011

#### 8. Tangible fixed assets

	Leasehold improve- ment £'000	Plant and machinery £'000	Electronics equipment £'000	Motor vehicles £'000	Assets under construction £'000	Total £'000
<b>Cost</b>						
At 1 January 2011	2,688	5,639	1,323	115	1,501	11,266
Additions	123	939	362	98	-	1,522
Transfer	-	1,501	-	-	(1,501)	-
At 31 December 2011	2,811	8,079	1,685	213	-	12,788
<b>Depreciation</b>						
At 1 January 2011	(1,043)	(5,639)	(538)	(90)	-	(7,310)
Charge for the year	(535)	(192)	(267)	(41)	-	(1,035)
At 31 December 2011	(1,578)	(5,831)	(805)	(131)	-	(8,345)
<b>Net book value</b>						
At 31 December 2011	1,233	2,248	880	82	-	4,443
At 31 December 2010	1,645	-	785	25	1,501	3,956

#### 9. Stocks

	2011 £'000	2010 £'000
Raw materials and consumables	560	359
Finished goods	8,473	20
	9,033	379

There is no material difference between the balance sheet value of stocks and their replacement costs

#### 10. Debtors: due within one year

	2011 £'000	2010 £'000
Trade debtors	2,664	706
Amounts owed by group undertakings	2,930	6,838
Prepayments and other debtors	1,846	1,239
VAT debtor	54	-
	7,494	8,783

#### 11. Debtors: due more than one year

Of a total advance of £295,000 to sports car racing team £180,000 (2010 £nil) is receivable after 12 months

# MG Motor UK Limited

## Notes to the financial statements (continued) Year ended 31 December 2011

### 12. Creditors: amounts falling due within one year

	2011 £'000	2010 £'000
Trade creditors	3,325	1,065
Amounts owed to group undertakings	4	-
Other creditors	73	271
Accruals & deferred income	6,440	895
	<u>9,842</u>	<u>2,231</u>

### 13. Creditors: amounts falling due after more than one year

	2011 £'000	2010 £'000
Deferred income	401	-
Inter company loan	26,477	26,477
	<u>26,878</u>	<u>26,477</u>

Loan is interest free and was provided by Nanjing Automobile Corporation Ltd. It is repayable by no later than 31 December 2013.

### 14. Called up share capital

	2011 £'000	2010 £'000
<b>Called up and allotted</b>		
21,585,000 (2010: 21,585,000) ordinary shares of £1 each	<u>21,585</u>	<u>21,585</u>

### 15. Reserves

	Profit and loss account £'000
At 1 January 2011	(29,600)
Loss for the year	<u>(4,648)</u>
At 31 December 2011	<u>(34,248)</u>

# MG Motor UK Limited

## Notes to the financial statements (continued) Year ended 31 December 2011

### 16. Reconciliation of movements in shareholders' (deficit)

	2011 £'000	2010 £'000
Loss for the financial period	(4,648)	(392)
Issue of share capital	-	11,000
(Reduction from)/ net additions to shareholders funds	(4,648)	10,608
Opening shareholders' (deficit)	(8,015)	(18,623)
<b>Closing shareholders' (deficit)</b>	<b>(12,663)</b>	<b>(8,015)</b>

### 17. Financial Commitments

#### *Operating lease commitments*

Annual company commitments at the end of the year under non-cancellable operating leases were as follows

	Land and building	
	2011 £000	2010 £000
Leases which expire in greater than 5 years	1,572	1,536
	<u>1,572</u>	<u>1,536</u>

### 18. Provision for liabilities

	2011 £'000	2010 £'000
At 1 January 2011	1,443	753
(Credit) /charge to profit and loss account	(397)	690
Utilisation of provision	(295)	-
At 31 December 2011	<u>751</u>	<u>1,443</u>

Provision for liabilities relate to expected warranty claims on cars sold in the previous years. It is expected that the majority of this expenditure will be incurred within the next five financial years of the balance sheet date.

### 19. Pensions

The company operates a defined contribution scheme to provide benefits to employees. Pension contributions for the year amounted to £62,000 (2010: £60,000). The amount unpaid at the end of the year was £ nil (2010: £nil).

## **MG Motor UK Limited**

### **Notes to the financial statements (continued)** **Year ended 31 December 2011**

**20. Related party transactions**

The company has taken advantage of the exemption granted within Financial Reporting Standard 8 “Related party disclosures”, which does not require disclosure of transactions between a subsidiary undertaking and other group undertakings, as 100% of the company’s voting rights are controlled within the Group and SAIC Motor Corporation Limited prepares publicly available consolidated accounts that incorporate the results of the company

**21. Ultimate parent company**

At 31 December 2011, the company was a wholly owned subsidiary of Nanjing Automobile Corporation (UK) Limited, which is incorporated in England and Wales. This represents the smallest group in which the Group’s results are consolidated. The Group’s ultimate controlling party is SAIC Motor Corporation Limited, incorporated in China. This represents the largest group in which the company’s results are consolidated.

Copies of SAIC Motor consolidated financial statements can be obtained from company secretary, SAIC Motor Corporation Limited, 5<sup>th</sup> Floor, Building A, No. 563, Songtao Road, Zhangjiang High-Tech Park, Pudong District, Shanghai, China.