

MG Motor UK Limited

Annual Report and Financial Statements

For the year ended 31 December 2015

Company Registration No. 05779958

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MG Motor UK Limited

Officers and Professional Advisers

Directors

Xiaoqiu Wang (China)
Hao Wang (China)
Sijie Zu (China)
Jingmin Yu (China)

Company secretary

Lian Zhong Su (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,
United Kingdom

MG Motor UK Limited

Strategic Report

The directors present their strategic report for the year ended 31 December 2015.

Activities

The principal activities of the company during the year were the assembly and sale of automotive vehicles, the provision of after sale service, the sale of production parts to group companies, and the provision of support services to group companies.

The sale of parts to group companies stopped in May 2015 and the assembly of automotive vehicles stopped in September 2016.

Business performance and future prospects

The company (referred to as MGUK below) had an encouraging year with progress being made particularly in sales of vehicles, and after sales service. The result being that turnover has grown by 6%.

This increase was attributed to a growth in volumes of vehicles sold of around 10%, an increase in after sales parts sold as more MG models are now on the road, and an increase in other income from services to Chinese group companies.

The company's KPI's revolve around changes in turnover as it seeks to establish itself in the market (see below).

	2015 £000	2014 £000	Change %
Turnover -Activity			
Vehicles	22,679	19,634	15%
Aftersales Parts	774	554	39%
Services	3,148	172	1730%
Turnover-excluding production parts	26,601	20,360	30%
Automotive parts to group	944	5,542	(83%)
Total Sales	27,545	25,902	6%

The growth in vehicles and aftersales parts has been supported by changes to type of dealers being used to sell MG vehicles. The emphasis has been on selecting dealers who want to proactively grow their volumes and servicing operations.

Future prospects look good with at least one new model planned to be added or replaced each year. In June 2016 a sports utility vehicle was launched. This has been well received by the market, and with the continued increase in sales volumes of MG 3, prospects are looking good for continued growth of the business.

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 mitigated as some trade receivables are from group undertakings (SAIC Motor Corporation Limited, referred to as 'SAIC Motor' underneath), and the directors believe that the risk of default is not significant as the group debts would be covered by SAIC Motor.

The risk from non group sales receivables is minimised by the funding arrangements for the purchase of vehicles by dealers being provided by GMAC UK, a specialist vehicle finance provider. (See below for further details of this arrangement).

MGUK entered into a five year financing agreement with GMAC UK PLC (GMAC) in January 2012. Under this agreement, MGUK sells vehicles to GMAC first and receives payment from GMAC upfront. GMAC in turn sells the vehicles to the MGUK authorized dealers and provides wholesale financing to the latter. In the worst case scenario, if a dealer is unable to sell a vehicle after an extended period of financing, then MGUK is obliged to buy back the vehicle. Given that the dealers' credit worthiness has been checked by GMAC and that the dealers' stock levels are managed, we believe that the risk of having to buy back dealers' stock is minimal.

The company has adopted separate presentation in respect of gross trade debtor receivable owed to GMAC by the dealers and trade payables refundable. An amount of £3,224,000 (2014: £3,353,000) is included in the trade debtor balance and other creditors as at 31 December 2015. Management has assessed the recoverability of the trade debtor receivable and has concluded there is no significant risk of doubtful debt as at 31 December 2015. A bad-debt provision of £302,000 (2014: £249,000) was made in this regard.

MG Motor UK Limited

Strategic Report (continued)

Cash flow risks

MGUK entered into a financing agreement with GMAC in January 2012. Under this financing agreement, MGUK gets paid upfront by GMAC for vehicles sold to dealers. This mitigates the cash flow risks of MGUK's operation to a significant extent. Moreover, SAIC Motor UK Technical Centre (SMTCUK), a subsidiary of SAIC Motor, pays MGUK for the services provided on a timely basis. This also contributed to the healthy cash flow of the company. As a result, the company's cash flow has been strong throughout the year with an average monthly cash balance of £8.4 million.

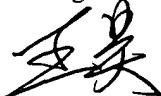
Liquidity risk

In order to maintain liquidity and to ensure sufficient funds are available for ongoing operations and future development MGUK relies on financial support from Nanjing Automobile (Group) Corporation Limited (NAC China), an intermediate holding company to the company's parent company Nanjing Automobile Corporation (UK) Limited (NAC UK) within SAIC Motor.

The balance sheet of the company has improved in the last couple of years and the company is in a much stronger financial position for future development and growth. The net worth of the company remains positive at £7.6 million.

NAC China will support the continuation of the operation of the company for at least one year from the date this report was signed.

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



Hao Wang
Director

MG Motor UK Limited

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 December 2015.

In June 2016 it was decided to stop vehicle assembly and in future to import finished vehicles (see note 21). Details of future developments and financial risks are covered in the strategic report.

Going concern

At the year end the company held a cash balance of £9.9 million and had a net current assets position of £8.0 million. The company has made operating losses over the last few years and was primarily funded by Nanjing Automobile (Group) Corporation Limited (NAC China). However, directors are of the view that the continued growth of sales of MG models will help improve future operating profits and cash flows and believe that SAIC Motor Corporation Limited will continue to support the company. In addition, the company entered into a debtor factoring agreement with GMAC on 11 January 2012; the agreement is in place for an initial period of 5 years from inception. After the end of the initial term, the agreement will continue to be in place unless six months' notice of termination is given by either party. The directors have a reasonable expectation that the facility will continue to be in place and effective for the foreseeable future, being a period of at least 12 months from the date of signing and approving these financial statements. Details of such agreement can be found in "Credit risk" section in the strategic report. Under the agreement MGUK gets paid upfront by GMAC before cars are sold by the dealers to end customers.

The company has a commitment of financial support from its parent company Nanjing Automobile (Group) Corporation Limited (NAC China) an intermediate holding company to Nanjing Automobile Corporation (UK) Limited (NAC UK) within SAIC Motor Corporation Limited for its future development. This is by way of a non-binding letter of support confirming that NAC China will support the continuation of operations of the company for at least eighteen months from the date the financial statements are signed.

There have been no material uncertainties identified which would lead to significant doubt about the company continuing as going concern. After considering the above factors, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for a period of not less than 12 months from the date the financial statements are signed.

Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

Dividends

The directors do not recommend payment of a dividend for the year ended 31 December 2015 (2014: £nil).

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.

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

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

Date:

MG Motor UK Limited

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) including FRS 102. 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 then apply them consistently;
- make judgments and accounting 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; and
- 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 2015 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 24. 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 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.

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 2015 and of its profit 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 Strategic Report and 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

9 December 2016

MG Motor UK Limited

Profit and loss account For the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Turnover	3	27,545	25,902
Cost of sales		(22,143)	(23,464)
Gross profit		5,402	2,438
Administrative expenses		(15,604)	(13,875)
Other operating income	6	10,339	10,585
Operating profit (loss)		137	(852)
Finance costs (net)	4	(85)	(81)
Profit/(loss) on ordinary activities before taxation	5	52	(933)
Tax on profit/(loss) on ordinary activities	8	-	-
Profit/(loss) for the financial year		52	(933)
Retained losses at 1 January		(40,224)	(39,291)
Retained losses at 31 December		(40,172)	(40,224)

All activities derive from continuing operations.

There have been no recognised gains and losses for the current or the prior year other than as stated in the profit and loss account above and, accordingly, no separate statement of comprehensive income is presented or a statement of changes in equity.

MG Motor UK Limited

Balance sheet

As at 31 December 2015

	Note	2015 £'000	2014 £'000
Fixed assets			
Tangible fixed assets	9	1,927	2,919
		<u>1,927</u>	<u>2,919</u>
Current assets			
Stocks	10	6,925	6,637
Debtors	11	12,023	10,208
Cash at bank and in hand		9,915	4,808
		<u>28,863</u>	<u>21,653</u>
Creditors: amounts falling due within one year	12	<u>(20,858)</u>	<u>(15,344)</u>
Net current assets		<u>8,005</u>	<u>6,309</u>
Total assets less current liabilities		<u>9,932</u>	<u>9,228</u>
Creditors: amounts falling due after more than one year	13	(404)	(455)
Provisions for liabilities	14	<u>(1,845)</u>	<u>(1,142)</u>
Net assets		<u><u>7,683</u></u>	<u><u>7,631</u></u>
Capital and reserves			
Called up share capital	15	21,585	21,585
Capital contribution reserve	16	26,270	26,270
Profit and loss account	16	<u>(40,172)</u>	<u>(40,224)</u>
Shareholder's funds	17	<u><u>7,683</u></u>	<u><u>7,631</u></u>

These financial statements of MG Motor UK Limited, registered number 05779958, were approved by the Board of Directors and authorised for issue on 7 December 2016.
They were signed on its behalf by:



Hao Wang
Director

MG Motor UK Limited

Notes to the financial statements For the year ended 31 December 2015

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and preceding year.

General information and basis of accounting

MG Motor UK Limited (MGUK) is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the strategic report on pages 2 to 3.

The financial statements have been prepared under the historical cost basis and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

This is the first year that the company has presented its results under FRS 102. The financial statements for the year ended 31 December 2014 were prepared in accordance with previous UK GAAP. The date for transition for FRS 102 was 1 January 2014.

There have been no changes to the result for the financial year ended 31 December 2014 and the total equity as at 1 January 2014 and 31 December 2014 as a result of the financial statements being prepared under FRS 102.

There have been no material effects on financial position or the accounting policies as a result of the adoption of FRS 102.

There are no judgements made by the directors, in the application of these accounting policies that have a significant impact on the financial statements.

The financial statements are presented in pounds sterling.

In accordance with FRS 102, the company has taken advantage of the exemption from the following disclosure requirements:

- Section 7 'Statement of Cash Flows'-Presentation of a Statement of Cash Flow and related notes and disclosures
- The requirement of section 33 Related Party Disclosures paragraph 33.7.

These financial statements are separate financial statements. Details of the parent in whose consolidated financial statements the company is included are shown in note 24 to the financial statements.

Going concern

At the year end the company held a cash balance of £9.9 million and had a net current assets position of £8.0 million. The company has made operating losses over the last few years and was primarily funded by Nanjing Automobile (Group) Corporation Limited (NAC China). However, directors are of the view that the continued growth of sales of MG models will help improve future operating profits and cash flows and believe that SAIC Motor will continue to support the company. In addition, the company entered into a debtor factoring agreement with GMAC on 11 January 2012; the agreement is in place for an initial period of 5 years from inception. After the end of the initial term, the agreement will continue to be in place unless six months' notice of termination is given by either party. The directors have a reasonable expectation that the facility will continue to be in place and effective for the foreseeable future, being a period of at least 12 months from the date of signing and approving these financial statements. Details of such agreement can be found in "Credit risk" section in the strategic report. Under the agreement MGUK gets paid upfront by GMAC before cars are sold by the dealers to end customers.

The company has a commitment of financial support from its parent company NAC China an intermediate holding company to NAC UK within SAIC Motor Corporation Limited for its future development. This is by way of a non-binding letter of support confirming that NAC China will support the continuation of operations of the company for at least eighteen months from the date the financial statements are signed.

There have been no material uncertainties identified which would lead to significant doubt about the company continuing as a going concern. After considering the above factors, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for a period of not less than 12 months from the date the financial statements are signed.

Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

Notes to the financial statements (continued) For the year ended 31 December 2015

1. Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment.

Depreciation is calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

Leasehold improvement	20% per annum straight-line
Plant and machinery	10% -15% per annum straight-line
Electronics equipment	16.67%-20% per annum straight-line
Motor vehicles	16.67% per annum straight-line

Residual value is calculated on prices prevailing at the date of acquisition or revaluation. Useful lives and residual values are reviewed at the end of every reporting period.

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. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Impairment of Tangible Assets

At each reporting date, the carrying amounts of tangible assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit or loss.

Financial Instruments

The company only has basic financial instruments.

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

The company has basic financial assets and basic financial liabilities.

(i) Financial Assets

Basic financial assets, including trade and other receivables, and cash and bank balances are recognised at transaction price. Trade and other receivables are reviewed at the end of each reporting period for impairment; any impairment is recognised in profit and loss.

Financial assets are derecognised when and only when a) the contractual rights to the cashflows from the financial asset expire or are settled or b) MGUK transfers to another party substantially all the risks and rewards of ownership of the financial asset or c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial Liabilities

Basic financial liabilities, including trade and other payables and loans from other group companies are recognised at transaction price.

Loans from group companies are interest free and repayable on demand.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged cancelled or expires.

There is no offsetting of financial assets and financial liabilities in the financial statements.

Notes to the financial statements (continued) For the year ended 31 December 2015

1. Accounting policies (continued)

Stocks

Stocks and work-in-progress are stated at the lower of cost, and estimated selling price less costs to sell which is equivalent to the net realisable value. Stocks are recognised as an expense in the period in which the related revenue is recognised.

Cost is determined using standard cost. Cost includes materials, duty and transportation costs of materials.

At the end of each reporting period stocks are assessed for impairment. If an item of stock is impaired, the identified item is reduced to its selling price less costs complete and sell and an impairment charge is recognised in the profit and loss account. Where a reversal of the impairment is required the impairment charge is reversed, up to the original impairment loss and is recognised in the profit and loss account.

Net Realisable Value of Vehicles

The group considers the future revenue expectations model by model of the vehicle stock carried at the end of the reporting period to establish whether any adjustment is required to the carrying amount of the vehicle stock. This review takes into account various criteria including the current price trends in the market, sales incentives, competitor activities and historic records to establish expected revenues after selling costs that each model carried at the balance sheet date can be expected to realise.

Taxation

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

Deferred tax 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 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 the gains and losses in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of 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.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is charged or credited in the profit and loss account.

Revenue

Revenue represents amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the company and value added taxes.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods has transferred to the buyer.

(i) Interest income

Interest income is recognised on the date of receipt.

(ii) Other operating income

Other operating income (excluding government grants) including service income is recognised when ownership of the item has transferred to the customer.

Notes to the financial statements (continued) **For the year ended 31 December 2015**

1. Accounting policies (continued)

Employee benefits

The company provides a range of benefits to employees including annual paid holiday pay arrangements and defined contribution pension plans.

Short term employee benefits including holiday pay and other similar non monetary benefits are recognised as an expense in the period in which the service is received. As the reporting period is co-terminus as the holiday year, and that unused holiday is unable to be carried forward, there is no requirement for a provision for holiday pay.

The company operates a defined contribution pension plan. This is a plan where the company pays contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Exchange differences on normal trading transactions are reflected in the profit and loss account in the reporting period.

Leases

The company has no finance leases.

Rentals under operating leases are charged on a straight line basis over the lease term, unless the rental payments are structured to increase in line with inflation, in which case the company recognises annual rent expense equal to amounts owed to the lessor.

Government grants

Government grants are recognised based on the accrual model and are measured at the fair value of the asset received or receivable.

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.

In the reporting period grants were received for support of motoring parts research project which has been credited to the profit and loss account in the period.

Warranties

Provisions for the expected cost of warranty obligations are recognised at the date of sale of the relevant vehicle model, at the directors' best estimate of the expenditure required to settle the company's obligation.

Notes to the financial statements (continued)
For the year ended 31 December 2015

2. Key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial period are addressed below:

a) Net Realisable Value of Vehicle Stocks

The company considers the future revenue expectations model by model of the vehicle stock carried at the end of the reporting period to establish whether any adjustment is required to the carrying amount of the vehicle stock. This review takes into account various criteria including the current price trends in the market, sales incentives, competitor activities and historic records to establish expected revenues after selling costs that each model carried at the balance sheet date can be expected to realise.

b) Warranty

The company estimates the potential liability for warranty claims on vehicles. The standard warranty period for all models is 3 years and an average per vehicle sold is estimated. This is done on a model by model basis. The total provision is shown in provision for liabilities in the balance sheet with further details in note 14.

3. Turnover

Analysis of the company's turnover by geographical market is set out below:

	2015	2014
	£'000	£'000
With third parties (in UK)	23,566	20,309
Within the SAIC Group (in China)	3,979	5,593
	<u>27,545</u>	<u>25,902</u>

Analysis of the company's turnover is as follows:

	2015	2014
	£'000	£'000
Sale of goods	24,397	25,730
Rendering of services	3,148	172
	<u>27,545</u>	<u>25,902</u>

4. Finance costs (net)

	2015	2014
	£'000	£'000
Interest receivable and similar income	11	-
Bank charges	(17)	(18)
Foreign exchange loss	(79)	(63)
	<u>(85)</u>	<u>(81)</u>

Notes to the financial statements (continued)
For the year ended 31 December 2015

5. Profit/ (loss) on ordinary activities before taxation

Profit/ (loss) on ordinary activities before taxation is stated after charging/ (crediting)	2015 £'000	2014 £'000
Auditor's remuneration:		
Fees payable to the company's auditor for the audit of the company's financial statements	40	46
Fees payable to the company's auditor and its associates for other services:		
Tax compliance services	6	6
Other services	-	2
Foreign exchange losses	80	64
Depreciation of tangible fixed assets	719	771
Impairment of tangible fixed assets	408	-
Operating leases	1,928	1,836
Cost of stock recognised as an expense	19,776	20,954
Impairment of stock recognised as an expense	122	1,388
Government grant	(76)	(53)

Impairments of fixed assets (see note 9) are included within administrative expenses.

Impairment and cost of stock recognised as an expense are included within cost of sales.

6. Other operating income

	2015 £'000	2014 £'000
Government grant	76	53
Other revenue	369	683
Service income*	9,894	9,849
	10,339	10,585

* Service income relates to income received from SAIC Motor UK Technical Centre Ltd, a fellow subsidiary of SAIC Motor Corporation Limited sharing the facilities of the Longbridge site.

7. Staff Costs and directors remuneration

a) Staff costs

The average monthly number of persons employed was:

	2015 Number	2014 Number
Production	32	29
Sales, distribution and administration	62	64
	94	93

	2015 £'000	2014 £'000
--	-----------------------------	-----------------------------

Their aggregate remuneration comprised:

Wages and salaries	2,748	2,713
Social security costs	258	269
Pension cost	105	72
	3,111	3,054

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Notes to the financial statements (continued) For the year ended 31 December 2015

7. Staff Costs and directors remuneration (continued)

b) Directors Remuneration

The company paid the following emoluments to the directors;

	2015 £'000	2014 £'000
Directors' remuneration		
Emoluments	203	202
The remuneration of the highest paid director:		
Emoluments	203	202

Some of the directors of the company are paid by SAIC Motor Corporation Limited, China, the ultimate parent company. It is not practicable to determine the proportion of such emoluments which are attributable to the directors' services to this company as their services are considered incidental to their duties in respect of other group entities. There are no directors receiving pension benefits.

8. Tax on loss on ordinary activities

The tax charge comprises:

	2015 £'000	2014 £'000
Total current tax	-	-
Total deferred tax	-	-
Total tax on profit (loss) on ordinary activities	-	-

The company earns all of its profits in the UK. Therefore the tax rate used for tax on profit on ordinary activities is the standard rate for UK corporation tax, currently 20.25%.

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows:

	2015 £'000	2014 £'000
Profit on ordinary activities before tax	52	(933)
Tax on group losses on ordinary activities at standard UK corporation tax rate of 20.25% thereon (2014: 21.5%):	11	(200)
Effects of:		
Expenses not deductible for tax purposes	6	4
Movement of unrecognised deferred tax	(17)	196
	(11)	200
Total tax charge for year	-	-

Notes to the financial statements (continued)
For the year ended 31 December 2015

8. Tax on loss on ordinary activities (continued)

The company has unused tax losses of £43,725,000 (2014: £44,772,000) which are available to offset future trading profits.

The company has unrecognised deferred tax assets in relation to these tax losses of £7,870,000 (2014: £8,954,000) and unclaimed capital allowances of £487,000 (2014: £497,000) and other timing differences of £136,000 (2014: £159,000) which have not been recognised due to uncertainty in relation to profits arising in future periods.

In recent years the UK Government has steadily reduced the rate of UK corporation tax, now standing at 20% with effect from 1 April 2015. In the Budget on 8 July 2015, the UK Government proposed, amongst other things, to further reduce the main rate of UK corporation tax to 19% with effect from 1 April 2017 and to 18% with effect from 1 April 2020. These rate changes were substantively enacted in the Finance Bill 2015 on 26 October 2015. The closing deferred tax assets and liabilities have been calculated at 18% in accordance with the rates enacted at the balance sheet date.

9. Tangible fixed assets

	Leasehold improve- ment £'000	Plant and machinery £'000	Electronics equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 January 2015	2,894	7,019	1,697	528	12,138
Additions	-	42	7	86	135
Disposals	-	-	-	-	-
At 31 December 2015	2,894	7,061	1,704	614	12,273
Depreciation					
At 1 January 2015	(2,601)	(4,941)	(1,312)	(365)	(9,219)
Charge for the year	(20)	(435)	(106)	(158)	(719)
Impairment	-	(408)	-	-	(408)
Disposals	-	-	-	-	-
At 31 December 2015	(2,621)	(5,784)	(1,418)	(523)	(10,346)
Net book value					
At 31 December 2015	273	1,277	286	91	1,927
At 31 December 2014	293	2,078	385	163	2,919

In accordance with accounting policy, a review was done of all tangible fixed assets at the end of the year and with one vehicle model being close to its end of life, the assets that were directly associated with this particular model have been reviewed and this has resulted in an impairment charge in the year of £407,616. The impairment charge has been included in profit and loss account within the administration expenses line item.

All tangible fixed assets are owned outright by the company.

There are no capital commitments for tangible assets for year ended 31 December 2015 (2014:Nil).

MG Motor UK Limited

Notes to the financial statements (continued) For the year ended 31 December 2015

10. Stocks

	2015 £'000	2014 £'000
Raw materials and consumables	1,305	1,081
Finished goods	5,620	5,556
	<u>6,925</u>	<u>6,637</u>

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

11. Debtors

	2015 £'000	2014 £'000
Trade debtors	3,802	4,922
Amounts owed by group undertakings	6,718	3,255
Other debtors	161	177
Prepayments and other debtors	1,342	1,854
	<u>12,023</u>	<u>10,208</u>

Trade debtors are stated after provisions for impairment of £302,000 (2014:£249,000)

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

12. Creditors: amounts falling due within one year

	2015 £'000	2014 £'000
Trade creditors	1,086	1,211
Amounts owed to group undertakings	11,069	5,398
Other taxation and social security	600	453
Other creditors	4,073	4,238
Government grants	51	51
Accruals & deferred income	3,979	3,993
	<u>20,858</u>	<u>15,344</u>

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

MG Motor UK Limited

Notes to the financial statements (continued) For the year ended 31 December 2015

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

	2015 £'000	2014 £'000
Government grants	197	248
Intercompany loan	207	207
	<u>404</u>	<u>455</u>

Intercompany loan is unsecured, interest free, have no fixed date of repayment and is repayable on demand.

14. Provision for liabilities

	2015 £'000	2014 £'000
At 1 January	1,142	428
Charge to profit and loss account	977	940
Utilisation of provision	(274)	(226)
At 31 December	<u>1,845</u>	<u>1,142</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 five financial years of the balance sheet date.

15. Called up share capital

	2015 £'000	2014 £'000
Called up, allotted and fully paid		
21,584,925 (2014: 21,584,925) ordinary shares of £1 each	<u>21,585</u>	<u>21,585</u>

16. Reserves

	Capital Contribution reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2015	26,270	(40,224)	(13,954)
Profit for the year	-	52	52
At 31 December 2015	<u>26,270</u>	<u>(40,172)</u>	<u>(13,902)</u>

Capital contribution reserve are loans written off from Nanjing Automobile Corporation (UK) Limited.

MG Motor UK Limited

Notes to the financial statements (continued) For the year ended 31 December 2015

17. Reconciliation of movements in shareholder's fund

	2015 £'000	2014 £'000
Profit/ (Loss) for the financial year	52	(933)
Movement of shareholder's fund	52	(933)
Opening shareholders fund	7,631	8,564
Closing shareholder's fund	7,683	7,631

18. Financial instruments

The carrying values of the company's financial assets and liabilities are summarised by category below.

The financial assets are measured at undiscounted amount receivable and financial liabilities are measured at undiscounted amount payable.

	2015 £'000	2014 £'000
<u>Financial assets</u>		
Trade and other debtors (see note 11)	3,963	5,099
Amounts owed by group undertakings (see note 11)	6,718	3,255
	10,681	8,354
<u>Financial liabilities</u>		
Trade and other creditors (see note 12)	5,759	5,902
Amounts owed to group undertakings (see note 12)	11,069	5,398
	16,828	11,300

19. Leasing commitments

Operating lease commitments

At the balance sheet date, the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2015 £'000	2014 £'000
Within one year	1,781	1,757
Within two to five years	7,405	7,232
Greater than 5 years	43,960	45,876
Total	53,146	54,865

Operating lease payments represent rentals payable for the site and buildings the company leases in Birmingham, rentals payable for accommodation for senior executives from the parent company on long term assignment in the UK and rentals of fork lift trucks for use in assembly and production. Lease of land and buildings is on a 35 year lease with expiry date of 2038, the lease is subject to an annual uplift and provide for the lessee to pay insurance, maintenance and repairs costs.

Notes to the financial statements (continued)
For the year ended 31 December 2015

20. Retirement benefit schemes

The group operates a defined contribution retirement benefit scheme for all employees. This is personal pension plan scheme with the funds of the scheme being under the control of the individual employees. The total expense charged to profit or loss in the period ended 31 December 2015 was £110,000 (2014: £72,000). This represents contributions payable to the scheme by the group at rates specified in the rules of the scheme.

21. Subsequent Events

On 23 September 2016, assembly of vehicles from SKD kits ceased in the UK. In future vehicles supplied by parent company in China for sale in UK will be complete vehicles.

An estimate of the financial impact of this event is unable to be provided at this time. The cost of decommissioning and income from the resulting scrap cannot be estimated with any degree of accuracy.

22. Related party transactions

The company has taken advantage of the exemption granted within section 33 of FRS 102, 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, Shanghai, China prepares publicly available consolidated accounts that incorporate the results of the company.

23. Explanation of transition to FRS 102

As stated in note 1, these are the company's first financial statements prepared in accordance with FRS 102. The accounting policies set out in note 1 have been applied in preparing these financial statements for the year ended 31 December 2015 and the comparative information presented in these financial statements for the year ended 31 December 2014.

In preparing its FRS 102 balance sheet, the company has no adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP).

24. Ultimate parent company

At 31 December 2015, 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, 5th Floor, Building A, No. 563, Songtao Road, Zhangjiang High-Tech Park, Pudong District, Shanghai, China.