

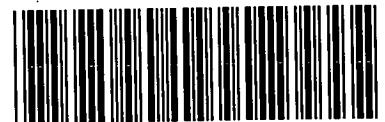
Company Registration No. 05779958

MG Motor UK Limited

Annual Report and Financial Statements

Year ended 31 December 2013

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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

Xiaoqiu Wang	(China) (Appointed 26 June 2014)
Hao Wang	(China)
Sijie Zu	(China)
Jingmin Yu	(China) (Appointed 26 June 2014)
Zhixin Chen	(China) (Resigned 26 June 2014)
Jun Jiang	(China) (Resigned 26 June 2014)

Company secretary

Lianzhong 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, UK

MG Motor UK Limited

Report and financial statements

Strategic Report

The directors present their annual report and the audited financial statements for the year ended 31 December 2013. This is the first time for the directors to present a strategic report of the company as required by section 414C of the Company Act 2006.

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 £16,735,000 in 2013 (2012: £15,743,000). Total sales revenues increased by 6% in 2013, of which sales of vehicles increased by 60% and other services decreased by 35%. At the same time, parts sales remain stable in 2013 with a 3% increase. The loss after tax amounted to £999,000 (2012: £4,042,000). The marked reduction in operational loss was due to the significant increase in other income from SAIC Motor UK Technical Centre in relation to services provided. The shareholders credit at 31 December 2013 was £8,564,000; while it was a deficit of £16,707,000 in 2012. The material change from net liability and shareholders' deficit to credit is due to the write off of £26.27 million loan from Nanjing Automobile Corporation (UK) Limited (NACUK) in the year.

In September 2013 MGUK successfully launched a compact car, the MG3, to the market. The MG3 offers a few special features. First: it is spacious for a compact car. The sporty exterior style conceals an interior that offers one of the largest and most spacious cabins in the supermini class. Second: there is a full suite of the latest technology safety equipment on MG3. With six airbags, electronic stability control, corner brake and traction controls, these are standard safety equipment on all MG3s. Third: customers can choose to create their own MG3, with its big range of colours, exterior graphics, interior colour packs and leather upholstery. Fourth: with all the above features, MG3 is offered at attractive on the road (OTR) prices, ranging from £8,399 to £9,999.

Currently, the company offers two products (MG3 and MG6) in the market place. We believe that there is good potential in these two products and are working diligently to bring the potential of these two products into full play down the road.

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 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 car after an extended period of financing, then MGUK is obliged to buy back the car. Given that the dealers' creditability has been checked by GMAC and given that the dealers' stock level is limited, we believe that the risk of having to buy back dealers' stock is very small and it is expected to be no more than 2% of the dealers' stock.

The company has adopted separate presentation in respect of gross trade debtor receivable from the dealers and trade payables refundable to GMAC in case of dealer default. An amount of £1,608,000 (2012: £1,075,000) is included in the trade debtor balance as at 31 December 2013. 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 2013. A bad-debt provision of £175,000 (2012: £114,000) was made in this regard.

MG Motor UK Limited

Report and financial statements

Strategic Report

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 Corporation, pays to 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 reasonably strong throughout the year of 2013 with an average monthly cash balance of £2.27 million.

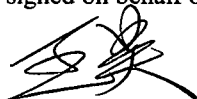
Liquidity risk

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.

There were two interest-free loan agreements of £40,000,000 in total signed between Nanjing Automobile (Group) Corporation (referred as NAC China hereafter) and Nanjing Automobile Corporation (UK) Limited (NACUK) in 2008 and 2009. Under these loan agreements, there was a total outstanding loan of £26.27 million from NAC China, an intermediate holding company within SAIC Motor Corporation. MGUK, NACUK, and NAC China decided to terminate the two loan agreements signed in 2008 and 2009. They also agreed to write off the £26.3 million outstanding loan in 2013. As a result of the write off of the loan, the balance sheet of the company has improved significantly and the company is in a much stronger financial position for future development and growth. The net worth of the company changed from a negative £16.7 million by the end of 2012 to a positive £8.5 million by the end of 2013.

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

Report and financial statements

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 December 2013. Since the business review of the company is covered by the directors' strategic report, the directors' report has become a short one.

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.

Going concern

At the year end the company holds a cash balance of £2.1million and net current assets of £6.0 million. The company has made operating losses over the last few years and was primarily funded by SAIC Group. However, directors are of the view that the launch of MG6 diesel version and MG3 during 2014 will help generate operating profits and cash flows and believe that SAIC Group will continue to support the company in various ways. In addition, the company entered into a debtor factoring agreement with GMAC on 11 January 2012; this agreement is in place for a period of 5 years from inception. Details of such agreement can be found in "Credit risk" section in the strategic report. Under the agreement MG Motor UK Ltd gets paid upfront by GMAC before cars are sold by the dealers to end customers.

Further, the company holds financial support from its parent company for its future development. A non-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.

SAIC Motor Corporation is currently making investment in Thailand and is building a plant there for the production of right-hand drive vehicles for the Southeast Asia market. Since both the UK market and much of the Southeast Asia market use right-hand drive vehicles and the same brand is used in these markets, there will be a lot of synergy between the operations of these markets, sharing the costs of vehicle development and brand promotion. As a result of this arrangement, SAIC Motor's commitment to the UK market is stronger than ever.

After considering the above factors, 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.

Dividends

The directors do not recommend payment of a dividend for the year ended 31 December 2013 (2012: £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.

MG Motor UK Limited

Report and financial statements

Directors' Report (continued)

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.

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

A handwritten signature in black ink, appearing to be 'Hao Wang', written over a horizontal line.

Hao Wang
Director

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;
- 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 2013 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 22. 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 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 2013 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

29 September 2014

MG Motor UK Limited

Profit and loss account Year ended 31 December 2013

	Note	2013 £'000	2012 £'000
Turnover	2	16,735	15,743
Cost of sales		(14,544)	(13,065)
Gross profit		<u>2,191</u>	<u>2,678</u>
Other operating income	6	8,173	1,616
Administrative expenses		(11,320)	(8,224)
Operating loss	3	<u>(956)</u>	<u>(3,930)</u>
Net interest payable	7	<u>(43)</u>	<u>(112)</u>
Loss on ordinary activities before taxation		<u>(999)</u>	<u>(4,042)</u>
Tax on loss on ordinary activities	8	<u>-</u>	<u>-</u>
Loss on ordinary activities after taxation for the financial year		<u><u>(999)</u></u>	<u><u>(4,042)</u></u>

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 2013

	Note	2013 £'000	2012 £'000
Fixed assets			
Investment	9	-	-
Tangible fixed assets	10	3,529	3,954
		<u>3,529</u>	<u>3,954</u>
Current assets			
Stocks	11	6,951	7,216
Debtors	12	7,440	4,594
Cash at bank and in hand		2,099	2,279
		<u>16,490</u>	<u>14,089</u>
Creditors: amounts falling due within one year	13	<u>(10,521)</u>	<u>(7,072)</u>
Net current assets		<u>5,969</u>	<u>7,017</u>
Total assets less current liabilities		<u>9,498</u>	<u>10,971</u>
Creditors: amounts falling due after more than one year			
Long term loan	14	(506)	(26,827)
Provisions for liabilities	19	(428)	(851)
Net assets/ (liabilities)		<u>8,564</u>	<u>(16,707)</u>
Capital and reserves			
Called up share capital	15	21,585	21,585
Other reserves	16	26,270	-
Profit and loss account deficit	16	(39,291)	(38,292)
Total equity shareholders' fund/(deficit)	17	<u>8,564</u>	<u>(16,707)</u>

These financial statements of MG Motor UK Limited, registered number 05779958, were approved and authorised for issue by the Board of Directors on 24/9/14

Signed on behalf of the Board of Directors



Hao Wang
Director

MG Motor UK Limited

Notes to the financial statements Year ended 31 December 2013

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.

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 company holds cash balance of £2.1 million which is considered sufficient to cover its liabilities in foreseeable future. In addition the company holds strong financial support from its parent company for its future development. 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 director's 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 2013 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

Notes to the financial statements (continued) Year ended 31 December 2013

1. Accounting policies (continued)

Tangible fixed assets (continued)

Depreciation method for assets acquired after 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.

Investments

Investments held as fixed assets are stated at cost less provision for impairment.

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.

Notes to the financial statements (continued)

Year ended 31 December 2013

1. Accounting policies (continued)

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.

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; this accounting policy is applied to the MG Sales Centre Ltd as well. This policy will be reviewed on a regular basis.

In 2012, MG UK started an employee car scheme for all SAIC Group employees based in the UK in accordance with UK tax authority guidelines. Lease income is accounted over the life of the lease. The agreement includes a guaranteed buyback clause of the vehicles and as such any revenue or profit and loss will not be recognised until the ultimate sale of the vehicle.

2. Turnover by location

	2013 £'000	2012 £'000
With third parties (in UK)	8,137	5,246
Within the SAIC Group (in China)	8,598	10,497
	<u>16,735</u>	<u>15,743</u>
Turnover		
Sale of vehicle	7,808	4,871
Sale of parts	5,051	4,923
Other services	3,876	5,949
	<u>16,735</u>	<u>15,743</u>

3. Operating loss

	2013 £'000	2012 £'000
Operating loss is stated after charging (crediting)		
Rentals under operating leases		
-Plant & machinery	43	43
-Other operating leases	1,733	1,759
Depreciation on tangible fixed assets	1,192	1,096
Government grant	(51)	(51)
	<u></u>	<u></u>

MG Motor UK Limited

Notes to the financial statements (continued) Year ended 31 December 2013

3. Operating loss (continued)

The analysis of auditor's remuneration is as follows:

	2013 £'000	2012 £'000
Fees payable to the company's auditor for the audit of the company's annual accounts	43	41
- Tax services	6	-
- Other services	5	-
Total non-audit fees	11	-

4. Staff Costs

	2013 Number	2012 Number
Average number of persons employed		
Production	29	29
Sales, distribution and administration	57	55
	86	84
	2013 £'000	2012 £'000
Staff costs during the period		
Wages and salaries	2,633	2,377
Social security costs	284	250
Pension cost	73	68
	2,990	2,695

5. Directors Remuneration

The company paid the following emoluments to the directors;

	2013 £'000	2012 £'000
Directors' remuneration		
Emoluments	195	204
The remuneration of the highest paid director:		
Emoluments	195	204

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.

MG Motor UK Limited

Notes to the financial statements (continued) Year ended 31 December 2013

6. Other Income

	2013 £'000	2012 £'000
Government grant	51	51
Other revenue	334	90
Service income*	7,788	1,475
	<u>8,173</u>	<u>1,616</u>

* Service 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.

7. Net interest payable

	2013 £'000	2012 £'000
Bank charges	(21)	(50)
Foreign exchange loss	(22)	(73)
Bank deposit interest	-	11
	<u>(43)</u>	<u>(112)</u>

8. 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: 23.25% (2012: 24.5 %). The differences are explained below:

	2013 £'000	2012 £'000
Current tax reconciliation:		
Loss on ordinary activities before tax	(999)	(4,042)
Tax at 23.25% (2012: 24.5%):	(232)	(990)
Effects of:		
Expenses not deductible for tax purposes	10	10
Depreciation in excess of capital allowance	(21)	(74)
Other timing differences	(12)	(65)
Carry forward /(utilisation) of tax losses	255	1,119
	<u>232</u>	<u>990</u>
Total current tax charge	<u>-</u>	<u>-</u>

Notes to the financial statements (continued)
Year ended 31 December 2013

8. Tax on loss on ordinary activities (continued)

b) Factors that may affect future tax charges:

The Company has unused tax losses of £44,320,000 (2012: £43,216,000) which are available to offset future trading profits.

The company has unrecognised deferred tax assets in relation to these tax losses of £8,864,000 (2012: £9,940,000) and unclaimed capital allowances of £487,000 (2012: £606,000) and other timing differences of £119,000 (2012: £148,000) which have not been recognised due to uncertainty in relation to profits arising in future periods.

The main rate of corporation tax reduced from 24% to 23% with effect from 1 April 2013. In addition, the 2013 Budget introduced a reduction in the main rate to 21% with effect from 1 April 2014 and a further reduction to 20% from 1 April 2015. As these rate reductions were substantively enacted on 3 July 2013, it has been used to calculate the deferred tax balances at 31 December 2013. The 2014 budget did not announce any further rate reductions.

9. Investments

In February 2013 the group acquired 1 share in SAIC Motor – CP Co., Ltd a SAIC Motor joint venture in Thailand. The share was acquired at par at a cost of £2.

10. Tangible fixed assets

	Leasehold improve- ment £'000	Plant and machinery £'000	Electronics equipment £'000	Motor vehicles £'000	Assets under construction £'000	Total £'000
Cost						
At 1 January 2013	2,864	8,400	1,689	224	218	13,395
Additions	30	674	6	245	(188)	767
Disposals	-	(2,185)	-	-	-	(2,185)
At 31 December 2013	2,894	6,889	1,695	469	30	11,977
Depreciation						
At 1 January 2013	(2,080)	(6,199)	(1,016)	(146)	-	(9,441)
Charge for the year	(501)	(469)	(160)	(62)	-	(1,192)
Disposals	-	2,185	-	-	-	2,185
At 31 December 2013	(2,581)	(4,483)	(1,176)	(208)	-	(8,448)
Net book value						
At 31 December 2013	313	2,406	519	261	30	3,529
At 31 December 2012	784	2,201	673	78	218	3,954

MG Motor UK Limited

Notes to the financial statements (continued) Year ended 31 December 2013

11. Stocks

	2013 £'000	2012 £'000
Raw materials and consumables	1,332	425
Finished goods	5,619	6,791
	<u>6,951</u>	<u>7,216</u>

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

12. Debtors: due within one year

	2013 £'000	2012 £'000
Trade debtors	2,770	1,261
Amounts owed by group undertakings	3,292	1,869
Prepayments and other debtors	1,378	933
VAT debtor	-	531
	<u>7,440</u>	<u>4,594</u>

13. Creditors: amounts falling due within one year

	2013 £'000	2012 £'000
Trade creditors	2,072	2,719
Amounts owed to group undertakings	2,914	593
Other creditors	2,528	1,238
Accruals & deferred income	3,007	2,522
	<u>10,521</u>	<u>7,072</u>

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

	2013 £'000	2012 £'000
Deferred income	299	350
Inter company loan	207	26,477
	<u>506</u>	<u>26,827</u>

Deferred income is for Government grants received by the Company.

There were two interest-free loan agreements totalling £40,000,000. There was a total outstanding loan of £26.27 million from NAC China, an intermediate holding company within SAIC Motor Corporation. MGUK, NACUK, and NAC China decided to terminate the two loan agreements signed in 2008 and 2009. They also agreed to write off the £26.27 million outstanding loan in 2013.

MG Motor UK Limited

Notes to the financial statements (continued) Year ended 31 December 2013

15. Called up share capital

	2013 £'000	2012 £'000
Called up and allotted		
21,585,000 (2012: 21,585,000) ordinary shares of £1 each	21,585	21,585

16. Reserves

Company	Capital Contribution reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2013	-	(38,292)	(38,292)
Loss for the year	-	(999)	(999)
Capitalisation of loan	26,270	-	26,270
At 31 December 2013	26,270	(39,291)	(13,021)

17. Reconciliation of movements in shareholders' fund/(deficit)

	2013 £'000	2012 £'000
Loss for the financial period	(999)	(4,042)
Capitalisation of loan	26,270	-
Movement of shareholders' fund	25,271	(4,042)
Opening deficit	(16,707)	(12,663)
Closing shareholders' fund/(deficit)	8,564	(16,707)

18. Financial Commitments

Operating lease commitments

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

	31 December 2013		31 December 2012	
	Land & Buildings £'000	Other £'000	Land & Buildings £'000	Other £'000
Within one year	-	49		40
Between two and five years		15		12
Over five years	1,652	-	1,612	-
Total	1,652	64	1,612	52

Notes to the financial statements (continued)
Year ended 31 December 2013

19. Provision for liabilities

	2013	2012
	£'000	£'000
At 1 January	851	751
(Credit)/charge to profit and loss account	(223)	259
Utilisation of provision	(200)	(159)
	<hr/>	<hr/>
At 31 December	428	851
	<hr/>	<hr/>

Provision for liabilities relate to anticipated 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.

20. Pensions

The company operates a defined contribution scheme to provide benefits to employees. Pension contributions for the year amounted to £73,000 (2012: £68,000). The amount unpaid at the end of the year was £nil (2012: £nil).

21. 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.

22. Ultimate parent company

At 31 December 2013, 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