

REGISTERED NUMBER: 05779958 (England and Wales)

Annual Report and Financial Statements

for the Year Ended 31 December 2020

for

MG Motor UK Ltd



MG Motor UK Ltd
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for the Year Ended 31 December 2020

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MG Motor UK Ltd

Company Information

for the Year Ended 31 December 2020

DIRECTORS:

Hao Wang (China)
Yijiong Sun (China)
Weiguo Cui (China)
Xiaodong Yang (China)

SECRETARY:

Xiaomin Gao(China)

REGISTERED OFFICE:

Q Gate
Low Hill Lane
Longbridge
Birmingham
B31 2BQ

REGISTERED NUMBER:

05779958 (England and Wales)

AUDITOR:

BDO LLP
Statutory Auditor
Southampton
United Kingdom

BANKERS:

Bank of China
98 Cannon Street
London
EC4N 6HA

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

MG Motor UK Ltd

Strategic Report for the Year Ended 31 December 2020

The directors present their Strategic Report for the year ended 31 December 2020.

ACTIVITIES

The principal activities of MG Motor UK Ltd (referred to as 'MGUK' underneath) during the year are the sale of automotive vehicles, the provision of after sale services, and the provision of support services to the Group. The Group comprises Nanjing Automobile Corporation (UK) Limited ('NACUK') being the Parent Company with its two wholly owned subsidiaries being MGUK and MG Sales Centre Limited ('MGSC').

BUSINESS PERFORMANCE

MGUK has maintained the progress in the year with total sales significantly higher than previous year at £293,720,000 (2019 restated: £136,465,000) and profit before taxation for the year of £2,828,000 (2019 restated: loss £375,000).

The core business activities of the sale of automotive vehicles and aftersales parts made solid progress in the year with sales volumes more than doubling thanks to the introduction of New MG3 in September 2018 and New ZS in early 2020, MG 5 and HS PHEV in September 2020.

Aftersales parts have achieved significant growth as a result of the growing number of MG models on the road (2020 turnover £6,870,000, 2019 turnover £4,770,000, change 44.0%).

KEY PERFORMANCE INDICATORS (KPI)

MGUK KPI's revolve around changes in turnover (see below).

	2020	2019	Change
Turnover - Activity	£'000	£'000	%
Vehicles	284,268	131,312	116.5%
Aftersales Parts	6,870	4,770	44.0%
Services	2,582	383	574.2%
Total Turnover	293,720	136,465	115.2%

Sales growth was also supported by a continuation of the network development strategy which saw the number of franchised dealerships increase to 120 as at 31 December 2020 (2019: 100). At the same time, the profile of dealers continued to improve with smaller, loss making dealerships being replaced by secure regional groups with the capability to invest more heavily in people, processes and local marketing..

FUTURE DEVELOPMENTS

During 2021, MGUK have continued to expand its dealer network, bringing MGUK franchised dealerships closer to more potential customers across the country

MGUK launched its first electric car in September 2020 and the next two after one year, following consumer trends which show an increasing acceptance of vehicle electrification. This trend will continue in future years and MGUK is investigating the possibility of introducing more electrified products into the UK market. Electrification remains a significant opportunity for MGUK and the business remains positive about its future prospects.

RISKS AND UNCERTAINTIES

Finance related risks are dealt with separately in the section below.

MGUK appropriately manages all risks that arise from all of its activities and has a formal structure for managing these risks throughout the Company. This includes but is not limited to:

- (i) Personnel development and training - aimed at reducing the risk of key staff leaving the Company and to keep the Company up to date with latest industry skills and techniques.
- (ii) Management reporting - a system of KPI's identifies areas of risk for the Company by identifying worsening performance at an early stage enabling corrective action to be taken in a timely fashion.
- (iii) Disaster recovery - actions and responsibilities have been identified in the unlikely event of a disaster to maintain the day-to-day operation of the business.

MG Motor UK Ltd

Strategic Report (continued) for the Year Ended 31 December 2020

BOARD DECISION MAKING 172(1)

When making decisions, the Directors consider what is most likely to lead to the success of the Company and to be of benefit to the members as a whole over the long term. In making such decisions, the Directors also consider the interests of employees, customers, community and the environment seeking to arrive at conclusions that do not adversely affect groups as a whole.

A key strategic aim of the directors is to ensure that local customer requirements are taken on board by SAIC Motor Corporation Limited when developing new products, this is to ensure that MG Motor UK is able to continue to grow its market share in the UK.

The company's primary route to market is through the dealer network and are looking to strengthen it through both small regional dealer groups and AM100 listed groups. The directors believe that this will lead to both greater security for MG and enhanced support for its customers rather than selling directly into the UK market.

During the COVID lockdowns the management has had to ensure the inventory is managed very carefully to guarantee that stock levels do not become excessive and the working capital position remains strong.

MG Motor UK continues to recognise the importance of its employees and has invested heavily in P.P.E and other safety measures during the pandemic. In addition it has worked hard to ensure that all employees are retained during this challenging period.

Finally the company continues to take its community and environmental responsibilities seriously. MG has donated to the health service to help support the community during the pandemic and its range of zero emissions electric cars along with its commitment to remove all diesel models is further evidence of how seriously MG Motor UK takes its environmental responsibilities.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

MGUK's activities expose it to a number of financial risks detailed below:

Credit risk

MGUK's credit risk is primarily attributed to trade debtors. The risk is mitigated as some trade debtors 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 Company's debts would be covered by SAIC Motor.

The risk from non-group trade debtors is minimised by the funding arrangements for the purchase of vehicles by dealers being provided by Santander UK PLC. ('SANTANDER'), a specialist vehicle finance provider.

MGUK entered into a 5 year funding arrangement with Santander Consumer UK Plc (SCUK). Under the arrangement, MGUK receives the full payment for the cars from Santander once ownership of the cars has been transferred to the dealers, i.e. MGUK sells to Santander, for on-sale to the dealer and then the customer. Should the dealers not meet their payment obligations to Santander, after which the debt is managed between Santander and the dealers, without involvement of MGUK.

Management has assessed the recoverability of the trade debtor receivable and has concluded there is a limited risk of doubtful debt at 31 December 2020. Management believes that it is appropriate treatment to provide for bad debts and a provision of £301,000 at 31 December 2020 (2019: £1,756,000) was made in this regard.

Cash flow risks

Cash flow risk is mitigated by the financing agreement with Santander, described above. This contributed to the healthy cash flow of MGUK. As a result, MGUK cash flow has been strong throughout the year of 2020 with an average monthly cash balance of £4,300,000 (2019: £4,000,000). A cash pooling agreement was reached between MG Motor and SAIC Motor Investment from September 2019 with surplus funds transferred to SAIC Hong Kong bank account automatically on a daily basis. MG Motor UK Ltd has an average cash pool balance of £27,000,000 (2019: £16,000,000).

MG Motor UK Ltd

Strategic Report (continued)
for the Year Ended 31 December 2020

Liquidity risk

To enhance our liquidity and to ensure sufficient funds are always available for ongoing operations and future development MGUK has the financial support from Nanjing Automobile (Group) Corporation Limited ('NAC China'), an intermediate holding company to MGUK's Parent Company Nanjing Automobile Corporation (UK) Limited ('NAC UK') within SAIC Motor.

The balance sheet of MGUK has improved over the last few years and MGUK is in a far stronger financial position for future development and growth. The net assets of MGUK have increased to £16,033,000 (2019: £12,899,000).

NAC China will support the continuation of the operation of MGUK for at least eighteen months from the date this report was signed.

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



.....
Hao Wang - Director

Date: 31/03/2022

MG Motor UK Ltd

Directors' Report

for the Year Ended 31 December 2020

The directors present their annual report and the audited financial statements for the year ended 31 December 2020. Details of future developments and financial risks are covered in the Strategic Report and form part of this report by cross-reference.

GOING CONCERN

At the year-end MGUK held a cash balance of £12,179,000 (2019: £6,505,000) and had a net current assets position of £57,393,000 (2019: £34,152,000). MGUK has accumulated losses from prior years which were primarily funded by Nanjing Automobile (Group) Corporation Limited (NAC China). However over the last three years MGUK's trading position has considerably improved and the directors are of the view that the continued sales growth of MG models will help improve future results and increase cash flows and believe that SAIC Motor will continue to support the group.

Through 2020 MGUK had a 5 year funding arrangement with Santander Consumer UK Limited (SCUK). Under the arrangement, MGUK receives the full payment for the cars from Santander once ownership of the cars has been transferred to the dealers, i.e. MGUK sells to Santander, for on-sale to the dealer and then the customer. Should the dealers not meet their payment obligations to Santander, after which the debt is managed between Santander and the dealers, without involvement of MGUK.

MGUK 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 MGUK for at least eighteen months from the date the financial statements are signed.

There has been no material uncertainties identified which would lead to significant doubt MGUK continuing as going concern. After considering the above factors, the directors have a reasonable expectation that MGUK 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 2020 (2019: £nil).

DIRECTORS

The directors who served throughout the year and to the date of this report, as otherwise noted, were as follows:

Xiaodong Yang (China) (appointed October 2021)

Sun Yijiong (China) (appointed March 2021)

Hao Wang (China)

Jingmin Yu (China) (resigned March 2021)

Weiguo Cui (China)

ENVIRONMENTAL RESPONSIBILITY

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

MG Motor UK Ltd

Directors' Report (continued)
for the Year Ended 31 December 2020

EMPLOYEE PARTICIPATION AND DISABLED EMPLOYEES

Employee participation and consultation has continued to benefit MGUK.

It is the policy of MGUK 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.

IMPACT OF BREXIT

The directors of the company have considered the potential impact of Brexit, and believe there may be some impact on the business from global foreign exchange movements. Directors will continue to review the position as the implications become clearer.

AUDITOR

Each of the persons who is 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.

BDO 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 Director and signed
on behalf of the Board.



.....
Hao Wang – Director

Date

31/03/2022

MG Motor UK Ltd

Directors' Responsibilities Statement
for the Year Ended 31 December 2020

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 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 judgements 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.

Independent Auditor's Report to the Members of
MG Motor UK Ltd

**Report on the audit of the financial statements:
Opinion on the 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 2020 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.

We have audited the financial statements of MG Motor UK Limited ("the Company") for the year ended 31 December 2020 which comprise the profit and loss account, the Balance Sheet, the Statement of Changes in Equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's Report to the Members of
MG Motor UK Ltd

Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of Directors

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, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report to the Members of
MG Motor UK Ltd

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Procedures performed by the audit team included:

- Discussions with management regarding known or suspected instances of non-compliance with laws and regulations;
- Obtaining an understanding of controls designed to prevent and detect irregularities, including specific consideration of controls and accounting policies relating to significant accounting estimates;
- Obtaining an understanding of the significant laws and regulations impacting the group and the motor retail industry, including data protection laws and regulations around FCA compliance;
- Communicating relevant laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit;
- Reviewing minutes of meetings of those charged with governance to identify any instances of non-compliance with laws and regulations;
- Assessing journals entries as part of our planned audit approach, with a particular focus on journal entries to key financial statement areas such as revenue and inventories and journals raised after the year end; and
- Consideration of significant management judgements, particularly in respect of the underlying assumptions in the warranty provision.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.

DocuSigned by:



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Stephen Le Bas

for and on behalf of BDO LLP, statutory auditor

Southampton

United Kingdom

Date. 04 April 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

MG Motor UK Ltd

Profit and Loss Account
for the Year Ended 31 December 2020

	Note	2020 £'000	Restated 2019 £'000
TURNOVER	3	293,720	136,465
Cost of sales		<u>(268,042)</u>	<u>(117,012)</u>
GROSS PROFIT		25,678	19,453
Administrative expenses		(23,508)	(20,904)
Other operating income	4	<u>806</u>	<u>1,101</u>
OPERATING PROFIT/(LOSS)		2,976	(350)
Finance costs (net)	6	<u>(148)</u>	<u>(25)</u>
PROFIT/(LOSS) BEFORE TAXATION	7	2,828	(375)
Tax on profit/(loss)	8	<u>306</u>	<u>(287)</u>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		3,134	(662)
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		<u>3,134</u>	<u>(662)</u>

All activities derive from continuing operations.

There are no other items of comprehensive income for the current year or prior year other than as stated in the Profit and Loss Account.

The notes on pages 14 to 27 form part of these financial statements.

MG Motor UK Ltd

Balance Sheet
As at 31 December 2020

		2020	Restated 2019
	Note	£'000	£'000
FIXED ASSETS			
Tangible assets	9	122	153
Investments	10	701	1,400
		<u>823</u>	<u>1,553</u>
CURRENT ASSETS			
Stocks	11	161,395	104,698
Debtors	12	76,240	42,393
Cash at bank and in hand		12,179	6,505
		<u>249,814</u>	<u>153,596</u>
CREDITORS			
Amounts falling due within one year	13	(192,421)	(119,444)
NET CURRENT ASSETS		<u>57,393</u>	<u>34,152</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		58,216	35,705
CREDITORS			
Amounts falling due after more than one year	14	(315)	(315)
PROVISIONS FOR LIABILITIES	15	(41,868)	(22,491)
NET ASSETS		<u>16,033</u>	<u>12,899</u>
CAPITAL AND RESERVES			
Called-up share capital	16	21,585	21,585
Capital contribution reserve		26,270	26,270
Profit and loss account		(31,822)	(34,956)
SHAREHOLDER'S FUNDS		<u>16,033</u>	<u>12,899</u>

The financial statements of MG Motor UK Ltd (registered number: 05779958) were approved and authorised for issue by the Board of Directors on 31/3/2022..... and were signed on its behalf by:



Hao Wang – Director

The notes on pages 14 to 27 form part of these financial statements.

MG Motor UK Ltd

Statement of Changes in Equity
For the Year Ended 31 December 2020

	Called-up share capital	Profit and loss account	Capital contribution reserve	Total equity
	£'000	£'000	£'000	£'000
Balance at 1 January 2019 (as previously stated)	21,585	(36,468)	26,270	11,387
Prior year adjustment (note 21)	-	2,174	-	2,174
Balance at 1 January 2019 (revised)	21,585	(34,294)	26,270	13,561
 Loss and total comprehensive loss for the year	-	(662)	-	(662)
 Balance at 31 December 2019	21,585	(34,956)	26,270	12,899
 Profit and total comprehensive income for the year	-	3,134	-	3,134
Balance at 31 December 2020	21,585	(31,822)	26,270	16,033

Reserves

The Company's reserves are as follows:

- Called up share capital reserve represents the nominal value of shares issued.
- Capital contribution reserve represents the amount of loans due to a parent company which have been waived.
- Profit and loss account represents accumulated profits and losses.

The notes on pages 14 to 27 form part of these financial statements.

MG Motor UK Ltd

Notes to the Financial Statements for the Year Ended 31 December 2020

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 Ltd (MGUK) (the "Company") is a private company, limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. 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 4.

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

The financial statements are presented in pounds sterling and are rounded to the nearest thousand.

In accordance with FRS 102, MGUK 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; and 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 20 to the financial statements.

Going concern

At the year-end MGUK held a cash balance of £12,179,000 (2019: £6,505,000) and had a net current assets position of £57,393,000 (2019: £34,152,000). MGUK has accumulated losses from prior years which were primarily funded by Nanjing Automobile (Group) Corporation Limited (NAC China). However over the last three years MGUK's trading has improved considerably and the directors are of the view that the continued sales growth of MG models will help improve future results and increase cash flows and believe that SAIC Motor will continue to support the group.

Through 2020 MGUK had a 5 year funding arrangement with Santander Consumer UK Limited (SCUK). Under the arrangement, MGUK receives the full payment for the cars from Santander once ownership of the cars has been transferred to the dealers, i.e. MGUK sells to Santander, for on-sale to the dealer and then the customer. Should the dealers not meet their payment obligations to Santander, after which the debt is managed between Santander and the dealers, without involvement of MGUK.

MGUK 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 MGUK for at least eighteen months from the date the financial statements are signed.

There has been no material uncertainties identified which would lead to significant doubt MGUK continuing as going concern. After considering the above factors, the directors have a reasonable expectation that MGUK 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.

MG Motor UK Ltd

Notes to the Financial Statements - continued
for the Year Ended 31 December 2020

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
Plant and machinery	10%-15% per annum
Electronics equipment	16.67%-20% per annum
Motor vehicles	16.67% per annum

Residual value is calculated on prices prevailing at the date of acquisition. 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

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 cash flows 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.

1. ACCOUNTING POLICIES – continued

Investments in associates

In the Company financial statements investments in associates are accounted for using the equity method. Investments in associates are initially recognised at the transaction price (including transaction costs) and are subsequently adjusted to reflect the Group's share of the profit or loss and other comprehensive income of the associate.

In the Company financial statements investments in associates are accounted for at cost less impairment.

Stocks

Stocks 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 to 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 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.

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.

MG Motor UK Ltd

Notes to the Financial Statements - continued
for the Year Ended 31 December 2020

1. ACCOUNTING POLICIES - continued

Turnover

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

Turnover 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.

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.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

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

Key accounting estimates and assumptions

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

a) Net realisable value of vehicles 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 to 7 years and an average per vehicle sold is estimated. This is done on a model by model basis. All future models will have a minimum of a 7 years warranty period. The provision requirement for the new 7 year warranties have been calculated using the extensive data base held by the ultimate parent SAIC Motor Corporation Limited whose 3 year warranty has been in place for many years, in addition to, MG Motors local data and managements judgements. The total provision is included in provision for liabilities in the balance sheet with further details in note 15.

c) Provision

The company believes costs will be incurred to meet lease obligations of the main site at Longbridge. This provision has been included in provisions for liabilities in the balance sheet (see note 15).

d) Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss. An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

MG Motor UK Ltd

Notes to the Financial Statements - continued
for the Year Ended 31 December 2020

3. TURNOVER

The turnover and profit/(loss) before taxation are attributable to the principal activities of the Company.

An analysis of turnover by class of business for the year ended 31 December 2020 is given below:

	2020	Restated 2019
	£'000	£'000
Sale of goods	291,138	136,082
Rendering of services	2,582	383
	<u>293,720</u>	<u>136,465</u>

The turnover is all related to the UK third parties for the year ended 31 December 2020 and 2019.

4. OTHER OPERATING INCOME

	2020	2019
	£'000	£'000
Other revenue	629	603
Service income*	-	478
Government grants	177	20
	<u>806</u>	<u>1,101</u>

*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.

MG Motor UK Ltd

Notes to the Financial Statements - continued
for the Year Ended 31 December 2020

5. STAFF COSTS AND DIRECTORS' REMUNERATION

a) Staff costs

	2020 £'000	2019 £'000
Wages and salaries	2,730	2,097
Social security costs	265	200
Pension costs	118	86
	<u>3,113</u>	<u>2,383</u>

The average monthly number of employees during the year was as follows:

	2020 No.	2019 No.
Production	-	-
Sales, distribution and administration	<u>56</u>	<u>52</u>
	<u>56</u>	<u>52</u>

	2020 £'000	2019 £'000
b) Directors' remuneration	<u>333</u>	<u>368</u>

The remuneration of the highest paid director:

Emoluments	<u>333</u>	<u>368</u>
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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 in the current or previous years.

6. FINANCE COSTS (NET)

	2020 £'000	2019 £'000
Interest receivable	61	13
Bank charges	(19)	(9)
Foreign exchange (loss)	<u>(190)</u>	<u>(29)</u>
	<u>(148)</u>	<u>(25)</u>

MG Motor UK Ltd

Notes to the Financial Statements - continued
for the Year Ended 31 December 2020

7. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is stated after expensing/ (crediting)

	2020	2019
	£'000	£'000
Auditor's remuneration:		
Fees payable to the Company's auditor for the audit of the Company's financial statements	73	82
Foreign exchange (gains)/losses	190	(6)
Depreciation of tangible fixed assets	31	66
Impairment of stock as an expense	1,008	-
Operating lease rentals	1,345	1,015
Impairment of investments	699	-
Government grants	(177)	(20)

MGUK is responsible for paying the audit fees of the Parent Company NACUK.

MG Motor UK Ltd

Notes to the Financial Statements - continued
for the Year Ended 31 December 2020

8. TAXATION

The tax (credit)/expense comprise:

	2020 £'000	2019 £'000
Current Tax	-	315
Adjustment for Prior Year	(306)	(28)
Total current tax	(306)	287
Total tax on Profit/(loss)	(306)	287

The Company earns all of its profits in the UK therefore the tax rate used for tax on the profit/(loss) is the standard rate for UK corporation tax, currently 19% (2019 : 19%).

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

	2020 £'000	Restated 2019 £'000
Profit/(Loss) Before Tax	2,828	(375)
Profit/(loss) multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	537	(71)
Effects of :		
Expenses not deductible for tax purposes	133	5
Movement in tax losses	(670)	381
Adjustment in respect of prior year	(306)	(28)
Total Tax (Credit)/Expense	(306)	287

The Company has unused tax losses of £34,040,000 (2019: £36,430,000) which are available to offset future trading profits.

The Company has unrecognised deferred tax assets in relation to these tax losses of £6,468,000,000 (2019: £6,922,000) and unclaimed capital allowances of £715,000 (2019: £657,000) and other timing differences of £259,000 (2019: £535,000) which have not been recognised due to uncertainty in relation to profits arising in future periods.

MG Motor UK Ltd

Notes to the Financial Statements - continued
for the Year Ended 31 December 2020

9. TANGIBLE FIXED ASSETS

	Leasehold improvement £'000	Plant and machinery £'000	Electronics equipment £'000	Motor vehicles £'000	Total £'000
COST					
At 1 January 2020	92	503	1,740	459	2,794
Disposals	-	-	-	(270)	(270)
At 31 December 2020	92	503	1,740	189	2,524
DEPRECIATION					
At 1 January 2020	92	441	1,721	387	2,641
Charge for year	-	8	8	15	31
Disposals	-	-	-	(270)	(270)
At 31 December 2020	92	449	1,729	132	2,402
NET BOOK VALUE					
At 31 December 2020	-	54	11	57	122
At 31 December 2019	-	62	19	72	153

All tangible fixed assets are owned outright by the Company.

There are no capital commitments for tangible assets for year ended 31 December 2020 (2019: £nil).

10. INVESTMENT IN ASSOCIATES

	£'000
COST	
At 1 January and 31 December 2020	1,400
IMPAIRMENT	
At 1 January 2020	-
Impairment in the year	699
At 31 December 2020	699
NET BOOK VALUE	
At 31 December 2020	701
At 31 December 2019	1,400

The investment represents a 20% interest in Co-Wheels UK Limited. A company whose registered office is 7 - 15 Pink Lane, Newcastle, Tyne & Wear NE1 5DW. The company trades as a pay-as-you go car pool car, fleet management and franchise operation.

MG Motor UK Ltd

Notes to the Financial Statements - continued
for the Year Ended 31 December 2020

11. STOCKS

	2020	Restated
	£'000	2019
		£'000
Finished goods	55,570	43,813
Spare parts	2,281	1,985
Goods-in-transit	103,974	63,798
Less: Provision for stock	(430)	(4,898)
	<u>161,395</u>	<u>104,698</u>

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

12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£'000	£'000
Trade debtors	35,319	16,020
Amounts owed by Group undertakings	31,835	21,121
Other debtors	455	362
Corporation tax	613	-
Prepayments and accrued income	8,018	4,890
	<u>76,240</u>	<u>42,393</u>

Trade debtors are stated after provisions for impairment of £301,000 (2019: £1,756,000).

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

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	Restated
	£'000	2019
		£'000
Trade creditors	6,787	2,494
Amounts owed to Group undertakings	151,852	102,220
Amounts due to associated undertakings	1,400	1,400
Other taxation and social security	6,772	1,807
Corporation tax	-	323
Other creditors	564	1,645
Accruals and deferred income	25,046	9,555
	<u>192,421</u>	<u>119,444</u>

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

MG Motor UK Ltd

Notes to the Financial Statements - continued
for the Year Ended 31 December 2020

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

	2020	2019
	£'000	£'000
Intercompany loans	207	207
Deferred income	108	108
	<u>315</u>	<u>315</u>

The intercompany loan is unsecured, interest free and has no fixed date of repayment.

15. PROVISIONS FOR LIABILITIES

	Warranty	Decommissioning	Total
	£'000	£'000	£'000
Balance at 1 January 2020 (as restated)	21,431	1,060	22,491
Profit and loss account during the year	21,150	-	21,150
Reversal of provision	-	-	-
Utilisation of provision	(1,773)	-	(1,773)
	<u>40,808</u>	<u>1,060</u>	<u>41,868</u>

Provision for liabilities includes expected warranty claims on cars sold in the previous years and the environmental costs of decommissioning of assembly equipment and other related remediation costs. It is expected that the majority of this expenditure will be incurred within the next seven financial years of the balance sheet date.

16. CALLED-UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal	2020	2019
		Value:	£'000	£'000
21,584,925	Ordinary shares	£1 each	<u>21,585</u>	<u>21,585</u>

MG Motor UK Ltd

Notes to the Financial Statements - continued
for the Year Ended 31 December 2020

17. FINANCIAL COMMITMENTS

Operating lease commitments

As at the balance sheet date, the Company had outstanding commitment for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2020	2019
	£'000	£'000
Within one year	1,354	1,165
Within one to five years	3,618	3,699
Greater than five years	7,957	9,168
	<u>12,929</u>	<u>14,032</u>

Operating lease payments represent rentals payable for the site and buildings the Company leases in Birmingham and three properties in London. Land and building in Birmingham 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. This lease does have a break clause in December 2023. The three London leases are for 5 years and terminate in 2021, 2023 and 2024.

18. RETIREMENT BENEFIT SCHEMES

The Company operates a defined contribution retirement benefit scheme for all employees. This is a personal pension plan scheme with the funds of the scheme being under the control of the individual employees. The total expense in the profit and loss account for the year ended 31 December 2020 was £118,000 (2019: £86,000). This represents contributions payable to the scheme by the company at rates specified in the rules of the scheme. There was an amount outstanding at the end of the year of £29,000 (2019: £19,000).

19. 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, who prepare publicly available consolidated financial statements that incorporate the results of the Company.

20. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertaking is Nanjing Automobile Corporation (UK) Limited whose registered address is Q Gate, Low Hill Lane, Longbridge, Birmingham, B31 2BQ and is parent of the smallest group to prepare consolidated financial statements. Copies of Nanjing Automobile Corporation (UK) Limited consolidated financial statements can be obtained from the company secretary at the mentioned registered office address.

The ultimate parent undertaking and controlling party is SAIC Motor Corporation Limited, incorporated in China, and whose registered address is 5th Floor, Building A, No. 563, Songtao Road, Zhangjiang High-Tech Park, Pudong District, Shanghai, China. It is the parent of the largest group to consolidate these financial statements.

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

MG Motor UK Ltd

Notes to the Financial Statements - continued
for the Year Ended 31 December 2020

21. PRIOR PERIOD ADJUSTMENTS

Adjustments have been made to the prior period which have impacted both net assets and the reported result for the year. These include:

- Certain costs have been reclassified from administrative expenses to cost of sales and revenue. These have been reanalysed in line with the current year split and reflect the substance of the costs and incentives incurred.
- Both dealer bonus accruals and warranty provisions had previously been recognised at the point the vehicle was registered. This has been corrected with dealer bonuses and estimated warranty costs now being recognised on sale of the vehicle to the dealer. This is to ensure that all expected liabilities are recognised at the same time as revenue is recognised.
- The final adjustment in respect of inventory costs is as a result of accrued costs relating to vehicles not being appropriately cleared or released upon settlement of the accrued cost. These costs had been included directly in cost of sales as opposed to being matched against the accrued cost on the balance sheet.

A summary of the impact of these adjustments on the comparative financial information to 31 December 2019 is shown below.

	2019 Adjustment					
	2019	Reanalysis of costs and incentives	Dealer Bonus Accrual	Warranty Provision	Inventory costs	2019 Restated
	£'000	£'000	£'000	£'000	£'000	£'000
Profit and loss account						
Turnover	152,923	(13,948)	(2,510)	-	-	136,465
Cost of Sales	(114,158)	(3,625)	-	(1,279)	2,050	(117,012)
Administrative expenses	(38,477)	17,573	-	-	-	(20,904)
Result for the year	1,077	-	(2,510)	(1,279)	2,050	(662)
Balance sheet						
Inventory	100,474	-	-	-	4,224	104,698
Provisions	(21,212)	-	-	(1,279)	-	(22,491)
Creditors: Amounts falling due within one year	(116,934)	-	(2,510)	-	-	(119,444)
Profit and loss account b/fwd	(36,468)	-	-	-	2,174	(34,294)
Net assets	12,464	-	(2,510)	(1,279)	4,224	12,899