

REGISTERED NUMBER: 05779958 (England and Wales)

Annual Report and Financial Statements

for the Year Ended 31 December 2019

for

MG Motor UK Ltd

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MG Motor UK Ltd
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for the Year Ended 31 December 2019

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MG Motor UK Ltd

Company Information
for the Year Ended 31 December 2019

DIRECTORS:

Hao Wang (China)
Jingmin Yu (China)
Weiguo Cui (China)
Xiaodong Yang (China)

SECRETARY:

Lian Zhong Su (China)

REGISTERED OFFICE:

Q Gate
Lowhill Lane
Longbridge
Birmingham
B31 2BQ

REGISTERED NUMBER:

05779958 (England and Wales)

AUDITOR:

Deloitte LLP
Statutory Auditor
Birmingham
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 LtdStrategic Report
for the Year Ended 31 December 2019

The directors present their Strategic Report for the year ended 31 December 2019.

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 the previous year at £152,923,000 (2018: £107,420,000) and profit before taxation for the year of £1,364,000 (2018: profit £3,922,000).

The core business activities of the sale of automotive vehicles and aftersales parts made solid progress in the year with revenue increased by 42.4% thanks to the introduction of New MG3 in September 2018. Subsequent to the year end, New ZS was introduced in early 2020. MG 5 and HS PHEV were introduced in September 2020.

Aftersales parts have achieved significant growth as a result of the growing number of MG models on the road (2019 turnover £4,770,000, 2018 turnover £3,224,000, change 47.9%).

During the period from the balance sheet date to the date that the financial statements were approved, the Covid-19 outbreak has caused extensive disruptions to businesses and economic activities globally. This is a non-adjusting event and in accordance with the requirements of UK GAAP, the carrying values at the date of the balance sheet reflect the economic conditions in existence at that date.

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. However, the directors expect the impact is minimal due to the operations are mainly within the UK and it is not possible to calculate an estimate of the financial impact. Directors will continue to review the position as the implications become clearer.

KEY PERFORMANCE INDICATORS (KPI)

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

	2019	2018	Change
	£'000	£'000	%
Turnover - Activity			
Vehicles	147,770	103,642	42.6%
Aftersales Parts	4,770	3,224	47.9%
Services	383	554	(30.9)%
Total Turnover	152,923	107,420	42.4%

Sales growth was also supported by a continuation of the network development strategy which saw the number of franchised dealerships increase to 100 as at 31 December 2019 (2018: 82). 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 2020, MGUK continued to expand its dealer network, bringing MGUK franchised dealerships closer to more potential customers across the country. With New MG ZS and electronic products now well-established in the market, MGUK expects sales of both products to increase during 2021.

MGUK launched its first electric car in September 2019 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 is a significant opportunity for MGUK and the business remains positive about its future prospects.

MG Motor UK Ltd

Strategic Report (continued)
for the Year Ended 31 December 2019

PRINCIPAL 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.

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 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 GMAC UK PLC. ('GMAC'), a specialist vehicle finance provider.

MGUK entered into a financing agreement with GMAC. The initial term has expired and the agreement becomes a rolling agreement with either party having to give 6 months' notice to terminate the agreement. Under this agreement, MGUK sells vehicles to GMAC first and receives payment from GMAC upfront. GMAC in turn sells the vehicles to the MGUK authorised dealers and provides wholesale financing to the latter. In the worst case scenario, if a dealer is unable to sell a vehicle after an extended period of financing, then MGUK is obliged to buy back the vehicle. Given that the dealers' credit worthiness has been checked by GMAC and that the dealers' stock levels are managed, the directors believe that the risk of having to buy back dealers' stock is minimal.

MGUK has adopted separate presentation in respect of gross trade debtors owed to GMAC by the dealers and trade creditors. An amount of 20,419,000 (2018: £19,572,000) is included in the trade debtor balance and other creditors as at 31 December 2019. Management has assessed the recoverability of the trade debtor receivable and has concluded there is a limited risk of doubtful debt at 31 December 2019. Management believes that it is appropriate treatment to provide for bad debts and a provision of £1,756,000 at 31 December 2019 (2018: £1,928,000) was made in this regard.

MG Motor UK Ltd

Strategic Report (continued)
for the Year Ended 31 December 2019

Cash flow risks

Cash flow risk is mitigated by the financing agreement with GMAC, described above. This contributed to the healthy cash flow of MGUK. As a result, MGUK cash flow has been reasonably strong throughout the year of 2019 with an average monthly cash balance of £4,000,000 (2018: £5,000,000). A cash pooling agreement was reached between MG Motor and SAIC Motor Investment from September 2018 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 £16,000,000 (2018:£14,000,000).


Liquidity risk

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

The balance sheet of MGUK has improved in the last couple of years and MGUK is in a much stronger financial position for future development and growth. The net assets of MGUK have increased to £12,464,000 (2018: £11,387,000).

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: 15/03/20.....

MG Motor UK Ltd

Directors' Report
for the Year Ended 31 December 2019

The directors present their annual report and the audited financial statements for the year ended 31 December 2019. 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 £6,505,000 (2018: £5,002,000) and had a net current assets position of £32,438,000 (2018: £24,821,000). MGUK has accumulated losses from prior years and was primarily funded by Nanjing Automobile (Group) Corporation Limited (NAC China). However over the last two years MGUK has made profits and the directors are of the view that the continued growth of sales 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.

The Company's forecasts and projections, taking account of reasonably possible changes in trading performance due to the Covid-19 pandemic and other factors, show that the Company should be able to operate within the level of its available cash at the date of approval of the financial statements. 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 2019 (2018: £nil).

DIRECTORS

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

Xiaoqiu Wang (China) (Resigned September 2019)
Xiaodong Yang (China) (appointed September 2019)
Hao Wang (China)
Jingmin Yu (China)
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 2019

EMPLOYEE PARTICIPATION AND DISABLED EMPLOYEES

Employee participation and consultation has continued to benefit MGUK. The company recognises that the employees are fundamental to the business and delivery of strategy. The success of the business depends on attracting, retaining and motivating employees by ensuring that we remain a responsible employer from pay and benefits to our health and safety.

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. However, the directors expect the impact is minimal due to the operations are mainly within the UK and it is not possible to calculate an estimate of the financial impact. Directors will continue to review the position as the implications become clearer.

AUDITOR

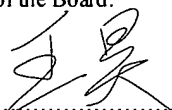
Each of the persons who is a director at the date of approval of this report confirms that:

- 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.

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 Director and signed
on behalf of the Board.



.....
Hao Wang – Director

Date 15/03/20

MG Motor UK Ltd

Directors' Responsibilities Statement
for the Year Ended 31 December 2019

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

In our opinion the financial statements MG Motor UK Ltd (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Profit and Loss account;
- the Balance Sheet;
- the Statement of Changes in Equity; 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, 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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

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.

In connection with our audit of the financial statements, 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 respect of these matters.

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

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.

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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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 Directors' Report has 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 any material misstatements in the Strategic Report and the Directors' Report.

Matters on which we are required to report by exception


Under the Companies Act 2006 we are required to report in respect of the following matters 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.

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.

We have nothing to report in respect of these matters.

DocuSigned by:

Peter Gallimore

for and on behalf of Deloitte LLP
Statutory Auditor
Birmingham
United Kingdom

Date..... 15 March 2021

MG Motor UK Ltd

Profit and Loss Account
for the Year Ended 31 December 2019

	Note	2019 £'000	2018 £'000
TURNOVER	3	152,923	107,420
Cost of sales		<u>(114,158)</u>	<u>(82,752)</u>
GROSS PROFIT		38,765	24,668
Administrative expenses		(38,477)	(22,163)
Other operating income	4	<u>1,101</u>	<u>1,430</u>
OPERATING PROFIT		1,389	3,935
Finance costs (net)	6	<u>(25)</u>	<u>(13)</u>
PROFIT BEFORE TAXATION	7	1,364	3,922
Tax on profit	8	<u>(287)</u>	<u>(35)</u>
PROFIT FOR THE FINANCIAL YEAR		1,077	3,887
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>1,077</u></u>	<u><u>3,887</u></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, accordingly no separate Statement of Other Comprehensive Income has been presented.

MG Motor UK LtdBalance Sheet
As at 31 December 2019

	Note	2019 £'000	2018 £'000
FIXED ASSETS			
Tangible assets	9	153	120
Investments	10	1,400	-
		<u>1,553</u>	<u>120</u>
CURRENT ASSETS			
Stocks	11	100,474	24,492
Debtors	12	42,393	71,599
Cash at bank and in hand		6,505	5,002
		<u>149,372</u>	<u>101,093</u>
CREDITORS			
Amounts falling due within one year	13	(116,934)	(76,272)
NET CURRENT ASSETS			
		<u>32,438</u>	<u>24,821</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		33,991	24,941
CREDITORS			
Amounts falling due after more than one year	14	(315)	(220)
PROVISIONS FOR LIABILITIES			
	15	(21,212)	(13,334)
NET ASSETS			
		<u>12,464</u>	<u>11,387</u>
CAPITAL AND RESERVES			
Called-up share capital	16	21,585	21,585
Capital redemption reserve		26,270	26,270
Profit and loss account		(35,391)	(36,468)
SHAREHOLDER'S FUNDS			
		<u>12,464</u>	<u>11,387</u>

The financial statements of MG Motor UK Ltd (registered number: 05779958) were approved and authorised for issue by the Board of Directors on 15/03/2021 and were signed on its behalf by:


Hao Wang – Director

MG Motor UK LtdStatement of Changes in Equity
For the Year Ended 31 December 2019

	Called-up share capital £'000	Profit and loss account £'000	Capital redemption reserve £'000	Total equity £'000
Balance at 1 January 2018	21,585	(40,355)	26,270	7,500
Profit and total comprehensive income for the year	-	3,887	-	3,887
Balance at 31 December 2018	21,585	(36,468)	26,270	11,387
Profit and total comprehensive income for the year	-	1,077	-	1,077
Balance at 31 December 2019	<u>21,585</u>	<u>(35,391)</u>	<u>26,270</u>	<u>12,464</u>

MG Motor UK Ltd

Notes to the Financial Statements
for the Year Ended 31 December 2019

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 21 to the financial statements.

Going concern

At the year-end MGUK held a cash balance of £6,505,000 (2018: £5,002,000) and had a net current assets position of £32,438,000 (2018: £24,821,000). MGUK has made operating losses over the last few years and was primarily funded by Nanjing Automobile (Group) Corporation Limited (NAC China). However, the directors are of the view that the continued growth of sales 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.

The Company's forecasts and projections, taking account of reasonably possible changes in trading performance due to the Covid-19 pandemic and other factors, show that the Company should be able to operate within the level of its available cash at the date of approval of the financial statements. 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 LtdNotes to the Financial Statements - continued
for the Year Ended 31 December 2019**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.

MG Motor U K Ltd

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

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 2019

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.

MG Motor UK Ltd

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

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 who's 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). However the structuring of a sister company in June 2019 (SMTC UK) has led the directors to re-evaluate parts of the provision relating the required power supply to the remaining operations. Whilst still of the opinion some form of provision is needed, an element has been released where there is no longer evidence of a constructive obligation. MGUK will therefore charge any cost relating to this matter directly to P&L in the period in which it may be incurred in the future.

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 LtdNotes to the Financial Statements - continued
for the Year Ended 31 December 2019**3. TURNOVER**

The turnover and profit 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 2019 is given below:

	2019	2018
	£'000	£'000
Sale of goods	152,540	106,866
Rendering of services	383	554
	<u>152,923</u>	<u>107,420</u>

The turnover is all related to the UK third parties for the year ended 31 December 2019 and 31 December 2018.

4. OTHER OPERATING INCOME

	2019	2018
	£'000	£'000
Other revenue	603	268
Service income*	478	1,149
Government grants	20	13
	<u>1,101</u>	<u>1,430</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 LtdNotes to the Financial Statements - continued
for the Year Ended 31 December 2019**5. STAFF COSTS AND DIRECTORS RENUMERATION**

a) Staff costs	2019	2018
	£'000	£'000
Wages and salaries	2,097	1,487
Social security costs	200	145
Pension costs	86	65
	<u>2,383</u>	<u>1,697</u>

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

	2019	2018
	No.	No.
Sales, distribution and administration	52	38
	<u>52</u>	<u>38</u>

b) Directors' remuneration	2019	2018
	£'000	£'000
	<u>368</u>	<u>360</u>

The remuneration of the highest paid director:

Emoluments	<u>368</u>	<u>360</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)

	2019	2018
	£'000	£'000
Interest receivable	13	1
Bank charges	(9)	(17)
Foreign exchange (loss)/gain	(29)	3
	<u>(25)</u>	<u>(13)</u>

MG Motor UK LtdNotes to the Financial Statements - continued
for the Year Ended 31 December 2019**7. PROFIT BEFORE TAXATION**

Profit before taxation is stated after expensing/ (crediting)

	2019	2018
	£'000	£'000
Auditor's remuneration:		
Fees payable to the Company's auditor for the audit of the Company's financial statements	82	40
Fees payable to the Company's auditor and its associates for other services		
Tax compliance services	-	7
Other services	-	5
Foreign exchange (gains)/losses	(6)	3
Depreciation of tangible fixed assets	66	53
Reversal of site provision	-	(3,514)
Operating lease rentals	1,015	2,035
Cost of stock recognised as an expense	105,834	70,931
Impairment of stock recognised as an expense	-	3,074
Government grants	(20)	(13)

MGUK is responsible for paying the audit fees of the Parent Company NACUK. Impairment of fixed assets (see note 9) is included within administrative expenses. Cost of stock recognised as an expense is included within cost of sales.

Impairment of stock is included within administrative expenses.

MG Motor UK LtdNotes to the Financial Statements - continued
for the Year Ended 31 December 2019**8. TAXATION**

The tax expense comprise:

	2019	2018
	£'000	£'000
Current Tax	315	-
Adjustment for Prior Year	(28)	-
Total current tax	<u>287</u>	<u>35</u>
Total deferred tax	<u>-</u>	<u>-</u>
Total tax on Profit	<u>287</u>	<u>35</u>

The Company earns all of its profits in the UK therefore the tax rate used for tax on loss is the standard rate for UK corporation tax, currently 19% (2018 : 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 before tax are as follows:

	2019	2018
	£'000	£'000
Profit Before Tax	<u>1,364</u>	<u>3,922</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2018 – 19%)	259	745
Effects of :		
Expenses not deductible for tax purposes	5	15
Impact of restriction on utilisation of brought forward trading tax losses	51	(725)
Adjustment in respect of prior year	(28)	-
Total Tax Expense	<u>287</u>	<u>35</u>

The Company has unused tax losses of £20,792,000 (2018: £28,898,000) which are available to offset future trading profits.

The Company has unrecognised deferred tax assets in relation to these tax losses of £3,950,000 (2018: £4,912,000) and unclaimed capital allowances of £535,000 (2018: £76,000) and other timing differences of £4,384,000 (2018: £891,000) which have not been recognised due to uncertainty in relation to profits arising in future periods.

The standard rate of corporation tax in the UK is 19% with effect from 1 April 2018. It had been proposed to reduce this rate to 17% but the government has announced in the finance act 2020 the rate will remain unchanged at 19%.

MG Motor UK LtdNotes to the Financial Statements - continued
for the Year Ended 31 December 2019**9. TANGIBLE FIXED ASSETS**

	Leasehold improvement £'000	Plant and machinery £'000	Electronics equipment £'000	Motor vehicles £'000	Total £'000
COST					
At 1 January 2019	92	465	1,740	398	2,695
Additions	-	38	-	61	99
At 31 December 2019	<u>92</u>	<u>503</u>	<u>1,740</u>	<u>459</u>	<u>2,794</u>
DEPRECIATION					
At 1 January 2019	72	465	1,694	344	2,575
Charge for year	6	25	10	25	66
Reclassification	14	(49)	17	18	-
At 31 December 2019	<u>92</u>	<u>441</u>	<u>1,721</u>	<u>387</u>	<u>2,641</u>
NET BOOK VALUE					
At 31 December 2019	<u>-</u>	<u>62</u>	<u>19</u>	<u>72</u>	<u>153</u>
At 31 December 2018	<u>20</u>	<u>-</u>	<u>46</u>	<u>54</u>	<u>120</u>

All tangible fixed assets are owned outright by the Company.

There are no capital commitments for tangible assets for year ended 31 December 2019 (2018: £nil).

10. INVESTMENTS

	2019 £'000	2018 £'000
Investment in associate	<u>1,400</u>	<u>-</u>

This investment represents investment in 1,400,000 ordinary shares which accounts for 20% interest in Co-Wheels Company Ltd and was incorporated on 05th October 2018. The fair value of investment in associate is equal to its carrying value amounting to £1,400,000 (2018: £nil) at the reporting date. During the year the Company received no dividends from investments in associate (2018: £nil).

11. STOCKS

	2019 £'000	2018 £'000
Finished goods	41,239	16,000
Spare parts	1,985	1,396
Goods-in-transit	63,798	13,481
Less: Provision for stock	(4,898)	(6,385)
	<u>102,124</u>	<u>24,492</u>

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

MG Motor UK LtdNotes to the Financial Statements - continued
for the Year Ended 31 December 2019**12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2019	2018
	£'000	£'000
Trade debtors	16,020	30,534
Amounts owed by Group undertakings	21,121	17,479
Other debtors	362	21,784
Prepayments and accrued income	4,890	1,802
	<u>42,393</u>	<u>71,599</u>

Trade debtors are stated after provisions for impairment of £1,756,000 (2018: £1,928,000).

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

	2019	2018
	£'000	£'000
Trade creditors	2,494	23,242
Amounts owed to Group undertakings	103,620	29,647
Other taxation and social security	2,130	35
Other creditors	1,645	15,816
Accruals and deferred income	7,045	7,532
	<u>116,934</u>	<u>76,272</u>

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

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

	2019	2018
	£'000	£'000
Intercompany loans	315	207
Government grants	-	13
	<u>315</u>	<u>220</u>

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

MG Motor UK LtdNotes to the Financial Statements - continued
for the Year Ended 31 December 2019**15. PROVISIONS FOR LIABILITIES**

	Warranty	Decommissioning	Total
	£'000	£'000	£'000
Balance at 1 January 2019	12,274	1,060	13,334
Profit and loss account during the year	10,353	-	10,353
Reversal of provision	(1,286)	-	(1,286)
Utilisation of provision	(1,189)	-	(1,189)
	<u>20,152</u>	<u>1,060</u>	<u>21,212</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 years of the balance sheet date.

16. CALLED-UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal	2019	2018
		Value:	£'000	£'000
21,584,925	Ordinary shares	£1 each	<u>21,585</u>	<u>21,585</u>

17. FINANCIAL INSTRUMENTS

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

The financial assets and financial liabilities are measured at amortised cost.

	2019	2018
	£'000	£'000
Financial assets		
Trade and other debtors (see note 12)	16,382	52,318
Amounts owed by group undertakings (see note 12)	<u>21,121</u>	<u>17,479</u>
	<u>37,503</u>	<u>69,797</u>
	2019	2018
	£'000	£'000
Financial liabilities		
Trade and other creditors (see note 13)	4,139	39,058
Amounts owed by group undertakings (see note 13)	<u>103,620</u>	<u>29,647</u>
	<u>107,759</u>	<u>68,705</u>

MG Motor UK LtdNotes to the Financial Statements - continued
for the Year Ended 31 December 2019**18. 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:

	2019	2018
	£'000	£'000
Within one year	1,165	824
Within two to five years	3,699	3,256
Greater than five years	9,168	13,519
	<u>14,032</u>	<u>17,599</u>

Operating lease payments represent rentals payable for the site and buildings the Company leases in Birmingham and two 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. The two London leases are for 5 years and terminate in 2021 and 2023.

19. 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 2019 was £86,000 (2018: £65,000). 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 £19,000 (2018: £7,000).

20. 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.

21. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertaking is Nanjing Automobile Corporation (UK) Limited whose registered address is Q Gate, Lowhill 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.

22. SUBSEQUENT EVENTS**Impact of Covid-19**

During the period from the balance sheet date to the date that the financial statements were approved, the Covid-19 outbreak has caused extensive disruptions to businesses and economic activities globally. It is the management's judgement that this will have a minimal impact on the business however it is not possible to quantify the financial impact. This is a non-adjusting event and in accordance with the requirements of UK GAAP, the carrying values at the date of the balance sheet reflect the economic conditions in existence at that date.

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. However, the directors expect the impact is minimal due to the operations are mainly within the UK and it is not possible to calculate an estimate of the financial impact. Directors will continue to review the position as the implications become clearer.