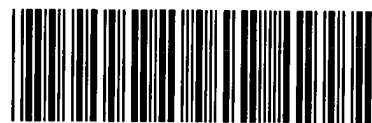


Registered number 09133004

**Yanfeng UK Automotive Interior Systems Co., Ltd**

**Report and financial statements for the year ended 31  
December 2019**

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## **Yanfeng UK Automotive Interior Systems Co., Ltd**

### **Report and financial statements for the year ended 31 December 2019**

<b>Contents</b>	<b>Page(s)</b>
Strategic Report	1 - 3
Directors' report	4 - 6
Independent auditors' report to the members of Yanfeng UK Automotive Interior Systems Co., Ltd	7 - 8
Statement of comprehensive income	9
Statement of financial position	10
Statement of changes in equity	11
Notes to the financial statements	12 - 22

# Yanfeng UK Automotive Interior Systems Co., Ltd

## Strategic report

### Fair review of business

The principal activity of the company is that of a holding company investing in subsidiaries whose main activities are the manufacture and sale of automotive interiors equipment to the automotive industry. The company engages in investment activities which are, by their nature, non-recurrent events. The company will monitor investment opportunities as they arise.

The company has strengthened its net asset position on the balance sheet to \$895.662m from \$892.778m. Its main investment is the sub group holding company based in Hungary. Cash has been increased from \$59.087m to \$98.749m as at 31 December 2019. No dividends were paid during the year (2018: \$nil). The company has made a post tax profit during the year of \$2.884m (2018: \$1.921m), which is an increase on last year due to greater net financial income as explained in more detail below.

The company operates a cash pooling operation for itself and subsidiary companies. This activity generates net financial income for the company, during the year the cash pool generated net financial income of \$3.910m (2018 - \$2.733m). The increase in net financial income is the result of fluctuating volumes and of the implementation of a review by the company which looked at the conditions applied to cashpool participants to ensure continuing compliance with tax and transfer pricing rules together with consideration of general market conditions and this gave rise to an increase in finance margins in the current year.

### Principal risks and uncertainties

The principal risks and uncertainties facing the business are:

- Recoverability/ valuation of investments
- Foreign exchange
- Interest rate and liquidity risk
- Brexit
- COVID-19

The company's main risk is the recoverability of the value of its investments. This risk is mitigated by regular reviews of indicators of impairment reviews performed by the company directors of the value of the investments held. Given the review performed in the current year, management do not consider any impairment is required to the value of the investments as at 31 December 2019.

In addition, the company faces foreign exchange risks as the company has a US dollar functional currency and its main activities are conducted in a number of different foreign currencies. Management regularly assess the risks posed and have contingency plans in place to mitigate risks should they arise.

Cash balances are held with external institutions. If funding is required then this is achieved by an internal loan from Yanfeng Luxembourg Automotive Interior Systems Leasing S.A.R.L. As a result, the liquidity risk is mitigated as there is no requirement for liquidity from external parties.

The company manages interest rate risk through the use of group of cash pools and internal loans, which reduce the exposure to changes in interest rates.

Management have identified the UK exit from the EU as a potential risk to the wider operations of the group. Management will continue to monitor implications for the company as the terms of the UK exit is negotiated.

Following the emergence of Covid-19 in early 2020, the impact of this pandemic on the world economy and the markets in which the company's subsidiaries operate is uncertain. It is clear, at this point in time, that the pandemic has had a major impact on the motor industry within which the company operates. The effect of Covid-19 will be consistently considered during impairment testing for the company's subsidiary undertakings and investments.

Covid-19 is considered by the directors to be a non-adjusting post balance sheet event. The effect of Covid-19 is an impairment trigger, which will be considered during 2020 impairment testing for the company's subsidiary undertakings and investments.

## Yanfeng UK Automotive Interior Systems Co., Ltd

### Strategic report (continued)

The board are working to quantify the impact of the pandemic but are confident in the group's ability to trade through this uncertainty, through adaptive management, contingency planning and government support where available.

All risks are closely managed by the corporate risk management team, which is controlled by the ultimate parent company SAIC Motor Corporation Limited.

#### Key Performance Indicators

The key performance indicators of the company are:

	2019	2018
	\$'000	\$'000
Profit before taxation	3,712	2,458
Net assets	895,662	892,778
Cash	98,749	59,087
Net current assets	17,432	14,548

The directors measure performance of the company with regard to the overall result declared in the Statement of comprehensive income and by reference to net current assets. The directors target positive net current assets.

#### S172(1) Statement of directors' duties to stakeholders

The directors of the company have a duty to promote the success of the company and wider group. A director of the company must act in a way he/she considers, in good faith to promote the success of the company for the benefit of its members as a whole and to other stakeholders.

Given the primary role of the company is to act as a holding company the directors have identified the members and subsidiary entities as the key stakeholders.

The company's secondary role is that of providing a cash pool and therefore the company's banking partners are also a key stakeholder.

These are the stakeholders which the board consider when making strategic decisions.

The directors are committed to developing and maintaining a governance framework that is appropriate to the business and supports effective decision making coupled with robust oversight of risk and internal controls. The directors are also committed to maintaining a reputation for high standards of business conduct through continual review and adoption of governance best practice.

#### Members and subsidiaries

The UK business has a close working relationship with its parent entity and the wider Yanfeng group, which provides a key strand of the group's strategy and philosophy. The primary role of the company is that of a holding company to the Hungarian subgroup and the directors provide the strategy link from its member to its subsidiaries. The board consider, when making decisions, the impact on members and works with the board of subsidiaries to understand the impact of decisions on those entities and their stakeholders.

## Yanfeng UK Automotive Interior Systems Co., Ltd

### Strategic report (continued)

#### Banking partners

A key activity of the company is the provision of the cash pooling facility and finance to the wider group entities. The company's relationship with its bankers is critical in ensuring that the company delivers this service to the group effectively and in an efficient manner. The company has allocated dedicated roles to liaise with the company's bankers to build and foster strong working relationships.

#### Future developments

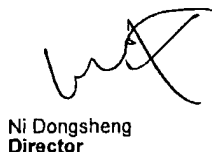
The group intends to continue its current activities in the operating of a cash pool facility for the wider group. The global economy has been hit by the COVID-19 epidemic which, in turn has affected global markets and interest rates, which directly affect the company's cash pool operations. The company will work with its banking partners to ensure that it can continue to deliver a fit for purpose cash pool despite these challenges. The company is also indirectly affected by the economic challenges its subsidiaries face in their trading activities. However, the group is optimistic that it can adapt and meet the challenges faced to remain a key partner to those in the automotive industry.

On behalf of the board



Steve Meszaros  
Director

Date: 9.2.2021



Ni Dongsheng  
Director

Date: 2/9.

## **Yanfeng UK Automotive Interior Systems Co., Ltd**

### **Directors' report for the year ended 31 December 2019**

The directors present their report and the audited financial statements of the company for the year ended 31 December 2019.

#### **Going concern**

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, the directors continue to adopt the going concern basis of accounting in preparing the financial statements. In reaching this conclusion the directors considered the liquidity position of the entity, and the projected cash flows over the next 12 months. Based on these cash flow projections, and the balance sheet position as of the date these financial statements are approved, the directors are satisfied that sufficient resources remain available to enable the company to meet its obligations as they fall due. In addition, the directors have obtained a letter of support from Yanfeng International Automotive Technology Co. Ltd which also provides access to additional liquidity if needed in order for the company to meet its obligations as they fall due.

#### **Review of business and future developments**

The principal activity of the company is that of a holding company investing in subsidiaries whose main activities are the manufacture and sale of automotive interiors equipment to the automotive industry. The company also operates a cash pooling facility for the benefit of its subsidiaries.

The company engages in investment activities which are, by their nature, non-recurrent events. The company will monitor investment opportunities as they arise.

The directors expect the general level of activity to remain stable for the foreseeable future with the exception of providing increased finance to the group through the drawdown of €75m of 3rd party loan finance arranged during 2020.

The company's profit for the year after taxation was \$2.884m (2018 - \$1.921m).

Dividends of \$nil (2018- \$nil) were declared during the year. The directors do not propose a final dividend (2018: \$nil).

#### **Financial risk management**

##### *Credit risk*

The company's policy is to use financial institutions authorised by the Yanfeng group, who actively manage the global banking facilities. All cash held on deposit is pooled at a European level to mitigate risk.

##### *Liquidity risk*

Cash balances are held with external institutions. If funding is required then this is achieved in the first instance by an internal loan from a Yanfeng group company thus mitigating the risks wherever possible associated with external finance.

##### *Interest rate risk*

The company manages interest rate risk through the use of group cash pools and internal loans, which reduce exposure to changes in interest rates.

All risks are closely managed by the corporate risk management team, which is controlled by the ultimate parent company SAIC Motor Corporation Limited.

## **Yanfeng UK Automotive Interior Systems Co., Ltd**

### **Directors' report for the year ended 31 December 2019 (continued)**

#### **Directors**

The following served as directors during the financial year and up to the date of signing of the financial statements, unless otherwise stated:

M E Kleinheksel	(resigned on 29 June 2020)
S Meszaros	
Y Su	
X Yuan	(resigned on 17 April 2020)
D Ni	(appointed on 17 April 2020)

#### **Directors' indemnities**

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year directors' and officers' liability insurance in respect of itself and its directors.

#### **Independent Auditors**

The auditors, PricewaterhouseCoopers LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

#### **Statement of directors' responsibilities**

The directors are responsible for preparing the Annual report and financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland", and applicable law). 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;
- state whether applicable United Kingdom Accounting Standards, comprising FRS102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

## Yanfeng UK Automotive Interior Systems Co., Ltd

### Directors' report for the year ended 31 December 2019 (continued)

#### Statement of directors' responsibilities (continued)

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

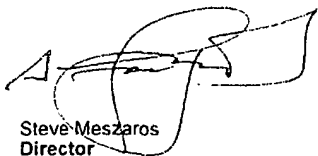
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

#### Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:


- (a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (b) he has taken all the steps that he 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 auditors are aware of that information

On behalf of the Board



Steve Meszaros  
Director

Date: 9.2.2021



Ni Dongsheng  
Director

Date: 9.2.2021



## **Yanfeng UK Automotive Interior Systems Co., Ltd**

### ***Independent auditors' report to the members of Yanfeng UK Automotive Interior Systems Co., Ltd***

#### **Report on the audit of the financial statements**

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##### **Opinion**

In our opinion, Yanfeng UK Automotive Interior Systems Co., Ltd's financial statements:

- 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 (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and financial statements (the "Annual Report"), which comprise: the Statement of financial position as at 31 December 2019; the Statement of comprehensive income and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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##### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' 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 remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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##### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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##### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

## Yanfeng UK Automotive Interior Systems Co., Ltd

### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

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### **Responsibilities for the financial statements and the audit**

#### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

#### *Auditors' 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 auditors' 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 FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### *Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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## **Other required reporting**

### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Trevor Smith (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Southampton  
9 February 2021

## Yanfeng UK Automotive Interior Systems Co., Ltd

### Statement of comprehensive income for the year ended 31 December 2019

		Year end 31 December 2019 \$'000	Year end 31 December 2018 \$'000
	Note		
Administrative expenses		(198)	(275)
<b>Operating loss</b>		<b>(198)</b>	<b>(275)</b>
Interest receivable and similar income	2	21,453	26,488
Interest payable and similar expenses	3	(17,543)	(23,755)
<b>Profit before taxation</b>	4	<b>3,712</b>	<b>2,458</b>
Tax on profit	7	(828)	(537)
<b>Profit for the financial year</b>		<b>2,884</b>	<b>1,921</b>

The profit for the financial years are derived from continuing operations.


**Yanfeng UK Automotive Interior Systems Co., Ltd**

**Statement of financial position as at 31 December 2019**

	Note	As at 31 December 2019 \$'000	As at 31 December 2018 \$'000
<b>Fixed Assets</b>			
Investments	8	878,230	878,230
<b>Current Assets</b>			
Debtors	9	1,785	2,704
Cash at bank and in hand		98,749	59,087
		100,534	61,791
<b>Creditors: amounts falling due within one year</b>	10	(83,102)	(47,243)
<b>Net current assets</b>		17,432	14,548
<b>Total assets less current liabilities</b>		895,662	892,778
<b>Net assets</b>		895,662	892,778
<b>Capital and reserves</b>			
Called up share capital	11	878,200	878,200
Retained earnings		17,462	14,578
<b>Total equity</b>		895,662	892,778

The financial statements on pages 9 to 22 were approved by the Board of Directors on  
and signed on its behalf by:

  
Steve Maszaros  
Director 9.2.2021

  
Ni Dongsheng  
Director 9.2.2021

Yanfeng UK Automotive Interior Systems Co., Ltd  
Company registration number: 09133004

The notes on pages 12 to 22 are an integral part of these financial statements

**Yanfeng UK Automotive Interior Systems Co., Ltd**

**Statement of changes in equity  
for the year ended 31 December 2019**

	Called up share capital \$'000	Retained earnings \$'000	Total \$'000
<b>Balance at 1 January 2018</b>	878,200	12,657	890,857
<b>Year ended 31 December 2018</b>			
Profit for the financial year	-	1,921	1,921
<b>Total comprehensive income for the year</b>	-	1,921	1,921
<b>Balance at 31 December 2018</b>	878,200	14,578	892,778
<b>Year ended 31 December 2019</b>			
Profit for the financial year	-	2,884	2,884
<b>Total comprehensive income for the year</b>	-	2,884	2,884
<b>Balance at 31 December 2019</b>	878,200	17,462	895,662

# Yanfeng UK Automotive Interior Systems Co., Ltd

## Notes to the financial statements for the year ended 31 December 2019

### 1 Accounting policies

#### General information

Yanfeng UK Automotive Interior Systems Co., Ltd ("the Company") is a private company, limited by shares and domiciled and incorporated in England.

The address of the Company's registered office is Highfield Court, Tollgate, Chandler's Ford, Eastleigh, Hampshire, SO53 3TY.

The Company's principal activity is that of a holding company investing in subsidiaries whose main activities are the manufacture and sale of trimmed seats, seat components and interiors to the automotive industry. The company operates a cash pooling facility for the benefit of its subsidiaries.

#### Statement of compliance

The financial statements of Yanfeng UK Automotive Interior Systems Co., Ltd have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), the Companies Act 2006 and are prepared under the historical cost convention.

#### Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied throughout the period being presented.

##### a) Basis of preparation

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements (see section n).

The preparation of the financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies (see section o).

##### b) Exemptions for qualifying entities under FRS 102

In accordance with FRS 102, the Company has taken advantage of the exemptions from the following disclosure requirements;

- Section 7 'Statement of Cash Flows' – Presentation of a Statement of Cash Flow and related notes and disclosures
- Section 11 'Basic Financial Instruments' & Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income.
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

##### c) Consolidated financial statements

The company is a subsidiary of Yanfeng Global Automotive Interior Systems Co., Ltd. It is included in the consolidated financial statements of Yanfeng Global Automotive Interior Systems Co., Ltd which are publicly available. The consolidated financial statements of Yanfeng Global Automotive Interior Systems Co., Ltd are available from 399 Liuzhou Road, Shanghai, China. Therefore the company is exempt by virtue of section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

These financial statements are the company's separate financial statements.

# Yanfeng UK Automotive Interior Systems Co., Ltd

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 1 Accounting policies (continued)

#### Summary of significant accounting policies (continued)

##### d) Foreign currency

###### (i) Functional and presentation currency

The company's functional currency and presentation currency is US Dollars. Monetary amounts in these financial statements are rounded to the nearest \$1,000.

###### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of comprehensive income within 'interest receivable and similar income/interest payable and similar expenses'. All other foreign exchange gains and losses are presented in the Statement of comprehensive income within 'administrative expenses'.

##### e) Dividends payable

Dividends and other distributions to company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the company's shareholders. These amounts are recognised in the Statement of changes in equity.

##### f) Dividend income

Dividend income is recognised when the right to receive payment is established.

##### g) Other income

Interest income is recognised using the effective interest rate method.

##### h) Interest payable

Interest payable is recognised using the effective interest rate method.

##### i) Employee benefits

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

###### (i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

###### (ii) Defined contribution pension plans

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed 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 Statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

# Yanfeng UK Automotive Interior Systems Co., Ltd

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 1 Accounting policies (continued)

#### j) Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

##### (i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

##### (ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expense in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing differences.

#### k) Investments

Investment in subsidiary companies are held at cost less accumulated impairment losses.

Where there is objective evidence that the investment in a subsidiary has been impaired, the carrying amount of the investment is tested for impairment.

#### l) Financial instruments

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, to all of its financial instruments, with the exception of those where exemptions are available.

##### (i) Financial assets

Basic financial assets, including amounts owed by group undertakings, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.



# Yanfeng UK Automotive Interior Systems Co., Ltd

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 1 Accounting policies (continued)

#### l) Financial instruments (continued)

##### (i) Financial assets (continued)

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

##### (ii) Financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans and loans from fellow group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

##### (iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### m) Equity instruments

Equity instruments issued by the company are recorded at the fair value of proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

#### n) Going concern

The Covid-19 pandemic has had a significant impact on the wider automotive industry following on from the year end. The company's operations have not been affected directly by the pandemic however a fall in the finance margin achieved on the cash pool in 2020 is expected. The external finance in place at 31 December 2019 was repaid in 2020 and as at the year-end the company had current assets of \$100,534k, including \$98,749k of cash, at that date to finance its operations. Similarly, as at 31 December 2020 the company had current assets of \$128,408k, including \$128,341k of cash therefore at the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, the directors continue to adopt the going concern basis of accounting in preparing the financial statements. In reaching this conclusion the directors considered the liquidity position of the entity, and the projected cash flows over the next 12 months.

**Yanfeng UK Automotive Interior Systems Co., Ltd**  
**Notes to the financial statements**  
**for the year ended 31 December 2019 (continued)**

**1 Accounting policies (continued)**

**n) Going concern (continued)**

Based on these cash flow projections, and the balance sheet position as of the date these financial statements are approved, the directors are satisfied that sufficient resources remain available to enable the company to meet its obligations as they fall due. In addition, the directors have obtained a letter of support from Yanfeng International Automotive Technology Co. Ltd which also provides access to additional liquidity if needed in order for the company to meet its obligations as they fall due.

**o) Critical accounting estimates and assumptions**

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

The company makes estimates and assumptions concerning the future. The resulted accounting estimates will by definition, seldom equal the related actual results. In this regard, the directors believe that the critical accounting policies where judgements or estimations are necessarily applied are summarised below:

**(i) Investments**

Investments are reviewed for indicators of impairment annually. Whenever events or circumstances make it more likely than not that an impairment has occurred, such as a significant adverse change in the business climate or a decision to sell a subsidiary at a value lower than its carrying value, the impairment will be immediately recognised in the Statement of Comprehensive Income. Determining whether an impairment has occurred requires valuation of the investment, which we estimate using a discounted cash flow method. In applying this methodology, we rely on a number of factors, including actual operating results and future business plans.

**2 Interest receivable and similar income**

	Year ended 31 December 2019 \$'000	Year ended 31 December 2018 \$'000
Interest on bank deposits	21,453	26,488
	<u>21,453</u>	<u>26,488</u>

**3 Interest payable and similar expenses**

	Year ended 31 December 2019 \$'000	Year ended 31 December 2018 \$'000
Bank loans and overdrafts	17,543	23,755
	<u>17,543</u>	<u>23,755</u>

## Yanfeng UK Automotive Interior Systems Co., Ltd

### Notes to the financial statements for the year ended 31 December 2019 (continued)

#### 4 Profit before taxation

	Year ended 31 December 2019 \$'000	Year ended 31 December 2018 \$'000
<b>Profit before taxation is stated after charging/(crediting):</b>		
Exchange losses/(gains)	(28)	72
Auditors' remuneration		
- audit services	33	32
- tax consultancy	-	23

#### 5 Employees

	Year ended 31 December 2019 Number	Year ended 31 December 2018 Number
The average monthly number of persons employed by the Company during the year was:		
Administration and Management	5	5
	5	5

	Year ended 31 December 2019 \$'000	Year ended 31 December 2018 \$'000
Staff costs for the above persons:		
Wages and salaries	431	562
Social security costs	50	63
Other pension costs	21	29
	502	654

#### 6 Directors and key management

The directors received no remuneration in respect of their services to the company during the year (2018: nil) as their services as directors of the company were incidental to their other services within the Yanfeng Global Automotive Interior Systems Co., Ltd. group of companies. Directors' remuneration costs are borne by other members of the Yanfeng Global Automotive Interior Systems Co., Ltd. group of companies.

# **Yanfeng UK Automotive Interior Systems Co., Ltd**

## **Notes to the financial statements for the year ended 31 December 2019 (continued)**

### **7 Tax on profit**

	Year ended 31 December 2019 \$'000	Year ended 31 December 2018 \$'000
<b>Current tax</b>		
UK corporation tax	828	537
<b>Total tax on profit</b>	<b>828</b>	<b>537</b>

The tax assessed for the year is higher than the standard rate of corporation tax in the UK (19%) (2018: 19%). The differences are explained below:

	Year ended 31 December 2019 \$'000	Year ended 31 December 2018 \$'000
Company profit before taxation	3,712	2,458
Company profit multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	705	467
Effects of:		
Foreign tax suffered	53	-
Adjustment in respect of previous periods	83	56
Exchange rate differences arising	(13)	14
<b>Total tax for the year</b>	<b>828</b>	<b>537</b>

## Yanfeng UK Automotive Interior Systems Co., Ltd

### Notes to the financial statements for the year ended 31 December 2019 (continued)

#### 8 Investments

Shares in group  
undertakings 2019  
\$'000

Net book value at 31 December 2018 and  
31 December 2019

878,230

A list of direct and indirect subsidiaries is provided below:

Company	Class of shares	Principal activity	Proportion of nominal value of shares issued held by:		Country of incorporation
			The company	Other group companies	
Yanfeng Hungary Automotive Interior Systems Kft.	Ordinary	Manufacture and sale of automotive interiors equipment	100%	-	Hungary
1097 Budapest, Office Campus, Gubacsi út 6. b. ép. 1. lház, Hungary					
Yanfeng Slovakia Automotive Interior Systems s.r.o	Ordinary	Manufacture and sale of automotive interiors equipment	0.01%	99.99%	Slovakia
Twin City C, Mlynské nivy 14, 82109 Bratislava, Slovak Republic					
Yanfeng Luxembourg Automotive Interior Systems Leasing S.a.r.l.	Ordinary	Holding and financing company	-	100%	Luxembourg
121 rue d'Hollerich, L-1741 Luxembourg, Luxembourg					
Yanfeng US Automotive Interior Systems LLC	Ordinary	Manufacture and sale of automotive interiors equipment	-	100%	United States of America
Corporation Trust Center, 1209 Orange Street, City of Wilmington, 19801 Delaware, USA					
Yanfeng US Automotive Interior Systems I LLC	Ordinary	Manufacture and sale of automotive interiors equipment	-	100%	United States of America
Corporation Trust Center, 1209 Orange Street, City of Wilmington, 19801 Delaware, USA					
Yanfeng US Automotive Interior Systems II LLC	Ordinary	Manufacture and sale of automotive interiors equipment	-	100%	United States of America
Corporation Trust Center, 1209 Orange Street, City of Wilmington, 19801 Delaware, USA					
Yanfeng Canada Automotive Interior Systems ULC	Ordinary	Manufacture and sale of automotive interiors equipment	-	100%	Canada
1600, 421-7 <sup>th</sup> Avenue SW, T2P4K9 Calgary, Alberta, Canada					
Yanfeng South Africa Automotive Interior Systems Pty	Ordinary	Manufacture and sale of automotive interiors equipment	-	100%	South Africa
Building C2 Industrial Development, Lower Chester Road, Sunnyside, East London, Eastern Cape 5218, South Africa					

## Yanfeng UK Automotive Interior Systems Co., Ltd

### Notes to the financial statements for the year ended 31 December 2019 (continued)

#### 8 Investments (continued)

Company	Class of shares	Principal activity	Proportion of nominal value of shares issued held by:		Country of incorporation
			The company	Other group companies	
<i>Yanfeng Ireland Automotive Interior Systems Financing Unlimited</i>	Ordinary	<i>Holding and financing company</i>	-	100%	Ireland
Trinity House, Charleston Road, Ranelagh, Dublin 6, Ireland					
<i>Yanfeng Interiors Holding Germany Limited &amp; Co.</i>	Ordinary	<i>Manufacture and sale of automotive interiors equipment</i>	-	100%	Germany
Jagenbergstr. 1, 41468 Neuss, Germany					
<i>Yanfeng Europe Automotive Interior Systems Limited &amp; Co.</i>	Ordinary	<i>Management services to other group companies</i>	-	100%	Germany
Jagenbergstr. 1, 41468 Neuss, Germany					
<i>Yanfeng Mexico Automotive Interior Systems Falcon Industries Srl</i>	Ordinary	<i>Manufacture and sale of automotive interiors equipment</i>	0.03%	99.97%	Mexico
104 David Alfaro Siqueiros, Col. Valle Oriente, 66269 San Pedro Gazza Garcia, Nuevo Leon, Mexico					
<i>Yanfeng Mexico Automotive Interior Systems Falcon Services Industries</i>	Ordinary	<i>Manufacture and sale of automotive interiors equipment</i>	0.03%	99.97%	Mexico
104 David Alfaro Siqueiros, Col. Valle Oriente, 66269 San Pedro Gazza Garcia, Nuevo Leon, Mexico					
<i>Yanfeng Mexico Automotive Interior Systems Admin Servicio S de RL de CV</i>	Ordinary	<i>Manufacture and sale of automotive interiors equipment</i>	-	100%	Mexico
104 David Alfaro Siqueiros, Col. Valle Oriente, 66269 San Pedro Gazza Garcia, Nuevo Leon, Mexico					
<i>Yanfeng Italy Automotive Interior Systems S.r.l.</i>	Ordinary	<i>Manufacture and sale of automotive interiors equipment</i>	-	100%	Italy
Grugliasco (to) Strada Antica Di Grugliasco 114/116 Cap 10095					
<i>Yanfeng Spain Automotive Interior Systems SL</i>	Ordinary	<i>Manufacture and sale of automotive interiors equipment</i>	-	100%	Spain
Avda Foya, Num. 40, Poligono Industrial, Juan Carlos I, 46440 Almussafes – (Valencia), Spain					
<i>Yanfeng Czechia Automotive Interior Systems sro</i>	Ordinary	<i>Manufacture and sale of automotive interiors equipment</i>	-	100%	Czech Republic
Tatinná 60, 438 01 Bitoveves, Czech Republic					
<i>Yanfeng Automotive Interior Systems d.o.o. Beograd</i>	Ordinary	<i>Manufacture and sale of automotive interiors equipment</i>	-	100%	Serbia
Braće Nikolić 2, 34000 Kragujevac, Serbia					

## Yanfeng UK Automotive Interior Systems Co., Ltd

### Notes to the financial statements for the year ended 31 December 2019 (continued)

#### 8 Investments (continued)

A list of direct and indirect associates is provided below:-

Company	Class of shares	Principal activity	Proportion of nominal value of shares issued held by:		Country of incorporation
Avanzar Interior Products LLC	Ordinary	Manufacture and sale of automotive interiors equipment	-	49%	United States of America
1 Lone Star Pass, Bldg #41, San Antonio TX 78264, Texas, USA					
Avanzar Interior Products de Mexico S de RL de CV	Ordinary	Manufacture and sale of automotive interiors equipment	-	49%	Mexico
Carretera 45D KM 12.5, Apaseo El Grande, Guanajuato, Mexico					

#### 9 Debtors

	2019 \$'000	2018 \$'000
Amounts owed by group undertakings	1,772	2,438
Corporation tax recoverable	-	255
Prepayments and accrued income	13	11
	1,785	2,704

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

#### 10 Creditors: Amounts falling due within one year

	2019 \$'000	2018 \$'000
Bank loans	36,418	-
Trade creditors	13	49
Amounts owed to group undertakings	46,552	47,119
Other taxation and social security costs	10	18
Corporation tax	59	-
Other creditors	3	-
Accruals and deferred income	47	57
	83,102	47,243

Amounts due to group undertakings (including dividends payable) are unsecured, interest free and repayable on demand.

Bank loans are secured through a letter of comfort offered to the bank from a parent company, in relation to the loans of this company. Bank loans are repayable on 23 June 2020 and have an effective interest rate of 1.15%.

## Yanfeng UK Automotive Interior Systems Co., Ltd

### Notes to the financial statements for the year ended 31 December 2019 (continued)

#### 11 Called up share capital and reserves

	2019 \$'000	2018 \$'000
532,242,525 (2018: 532,242,525) Ordinary Shares of US\$1.65 each	878,200	878,200
	878,200	878,200

##### *Ordinary share rights*

Holders of the ordinary shares are entitled to receive notice of, attend and vote at, a general meeting of the company, to receive dividends at a rate declared by the directors and to participate in a return of capital on a winding up of the company.

##### **Reserves**

Reserves of the Company represent the following:

##### **Retained earnings**

Cumulative profits net of distributions to owners.

#### 12 Retirement benefits

The Company operates a defined contribution pension scheme for all qualifying employees in the United Kingdom. The assets of the scheme are held separately from those of the Company in an independently administered fund. The contributions payable by the Company charged to profit or loss amounted to \$20,955 (2018 - \$28,956). There are no amounts payable as at 31 December 2019 (2018 - \$nil).

#### 13 Related party transactions

No guarantees have been given or received. No expense has been recognised in the year in respect of bad debts from related parties.



## **Yanfeng UK Automotive Interior Systems Co., Ltd**

### **Notes to the financial statements for the year ended 31 December 2019 (continued)**

#### **14 Post balance sheet events**

Subsequent to the year end two additional short-term third party bank finance facilities totalling €75m were put in place by the company. In January 2020 €35m and €40m were drawn down on these facilities, to provide finance for the group's operations.

As mentioned in more detail in the Strategic report, Covid-19 has brought great uncertainty to the global economy and the industry in which the company and its wider group operates has been affected by this. As this situation is ongoing its effect is not yet quantifiable. The directors believe the company is in a strong position to deal with these challenges and still achieve its strategic objectives in the long term. Further details of the going concern basis has been explained within paragraph n) of note 1.

Subsequent to the year end, a transaction within the Yanfeng Hungary subgroup resulted in a new indirect subsidiary joining the Yanfeng Global Automotive Interior Systems Co., Ltd group. The book value of the new indirect subsidiary Yanfeng USA automotive Trim Systems, Inc. was \$41m which was financed outside of the UK group, no transactions were undertaken by Yanfeng Global Automotive Interior Systems Co., Ltd.

#### **15 Controlling parties**

The immediate parent company is Yanfeng International Automotive Technology Co. Ltd (formerly Yanfeng Global Automotive Interior Systems Co. Ltd), incorporated in the People's Republic of China.

The directors consider SAIC Motor Corporation Limited, incorporated in the People's Republic of China to be the ultimate parent undertaking and the largest group of undertakings to consolidate these financial statements at 31 December 2019. The consolidated financial statements of SAIC Motor Corporation Limited are available from 489 Weihai Road, Shanghai, China.

Huayu Automotive Systems Co., Ltd is the parent undertaking of the smallest group of undertakings to consolidate these financial statements at 31 December 2019. The consolidated financial statements of Huayu Automotive Systems Co., Ltd are available from 489 Weihai Road, Shanghai, China.