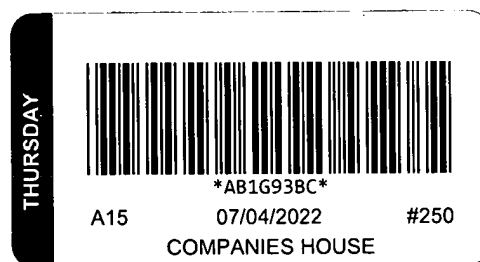


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**LENZING FIBERS GRIMSBY LIMITED**

**Annual Report and Financial Statements**

**31 December 2021**



# **LENZING FIBERS GRIMSBY LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2021**

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# **LENZING FIBERS GRIMSBY LIMITED**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS 2021**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

J Turrell  
A Dodds (resigned 30 December 2021)  
P Munson (resigned 31 January 2022)  
E Kuebel (appointed 31 January 2022)

#### **SECRETARY**

J Turrell

#### **REGISTERED OFFICE**

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Energy Park Way  
Grimsby  
DN31 2TT  
UK

#### **BANKER**

BNP Paribas  
10 Harewood Avenue  
London  
NW1 6AA

HSBC Bank plc  
8 Canada Square  
London  
E14 5HQ

#### **AUDITOR**

KPMG LLP  
Chartered Accountants and Statutory Auditor  
1 Sovereign Square  
Sovereign Street  
Leeds  
LS1 4DA

# LENZING FIBERS GRIMSBY LIMITED

## STRATEGIC REPORT (continued) 31 December 2021

### PRINCIPAL ACTIVITIES

The principal activity of the company is the manufacture of lyocell fibre.

### STRATEGIC DIRECTION

The company's long term business strategy is to lead the delivery of unique and innovative products that maximise value for all stakeholders.

#### Directors' section 172 statement

Section 172 deals with the Board of Directors' duty to promote the success of the company for the benefit of shareholders as a whole, having regard to a number of broader matters including the likely consequence of decisions for the long term, the need to act fairly between members of the company, and the company's wider relationships.

The Directors regularly review the company's strategic plan and ensure actions are being met in delivery of its strategy. This includes reviewing business KPI's to ensure:-

- customers' needs are met by on time delivery of first quality fibre
- shareholders are satisfied in relation to company performance
- employee morale is high
- the impact on the environment is minimised when performing it's operation

The Directors are supported in achieving the strategy and ensuring the key strategic KPI's are met by:-

- our commercial teams building strong relationships with customers to ensure their needs are met and delivery schedules are regularly communicated
- strict quality control procedures being in place to ensure any non-first quality fibre is detected and down-graded prior to despatch
- close collaboration with customers when processing the fiber through the close relationships formed with the Technical Customer Services support teams
- continuously reviewing financial performance against targets and communicating progress towards such to shareholders
- rewarding employees through attractive pay and benefit schemes
- inclusion of employees through use of employee forums, including health, safety and environment committees
- regularly providing business performance briefings to employees
- continuously investing financially and through use of training to minimise energy usage, reduce waste and reduce environmental discharges.

When setting the strategic direction of the Company the Directors have regard to and comply with all relevant laws and company policies including the Lenzing Business Code of Conduct, which promotes lawful and ethical business conduct across all areas of business activity and fulfils its duties to all stakeholders.

### REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The results for the year whilst impacted by high energy costs are still encouraging. The directors believe the future prospects of the company to be strong.

The Board monitors the company's performance in a number of ways, including Key Performance Indicators. The Key Performance Indicators together with the information for 2021 and 2020 are as follows:

	2021	2020
Turnover (£'000)	108,148	91,072
Gross profit (£'000)	24,514	35,380
Profit before tax (£'000)	14,217	27,317
Number of lost time accidents	0	1

Starting in August 2020 fiber previously destined as sales to a Group Company were instead transferred to bonded warehouses in China and remained as inventory until sales to external Chinese customers were made. This impacted

**STRATEGIC REPORT (continued)**  
**31 December 2021**

sales volumes in 2020. In 2021 transfers to bonded warehouses continued throughout the year with turnover increasing in 2021 as a result of sales from inventory.

The significant increase in energy prices in 2021 led to a decrease in the Company's performance in 2021 compared to 2020 despite strong demand for fiber. A market increase in wood pulp prices also impacted negatively in 2021.

Covid-19 had no operational effects on the Company which continued operating at full capacity throughout the year with no shortage of available labour. Sales demand remained strong throughout the entire period of the pandemic. There are no negative impacts from Covid-19 forecast in 2022.

No major negative impacts of Brexit were experienced by the Company with trade continuing as normal and no significant increases in costs have occurred as a result of Brexit.

The balance sheet on page 12 of the financial statements shows the company's financial position.

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**RESEARCH AND DEVELOPMENT**

The company continues to invest in research and development. The Directors regard investment in research and development to be a prerequisite for success in the medium to long-term future.

**PRINCIPAL RISKS AND UNCERTAINTIES**

The company's activities expose it to a number of financial risks including credit risk and cash flow risk.

**Credit risk**

The company's principal financial assets are cash and trade and other debtors. The company's credit risk is primarily attributable to its trade debtors. The amounts presented in the company's balance sheet are net of allowances for doubtful debts. Consideration has been given to expected credit losses in line with IFRS 9. The company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

**Exchange rate risk**

The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The company utilises foreign currency bank accounts and forward currency contracts in order to minimise this risk.

**Liquidity risk**

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company utilises available resources provided from within the Group. Effective cash flow forecasting allows for the provision of Group resources for any significant cash outflows that could not be covered by the Company individually

**Market risk**

Lenzing is the market leader in the manufacture of lyocell fibers. Whilst competition is increasing, Lenzing is mitigating against this risk by continuing to pursue its growth and high quality specialities strategy. As a high proportion of Lenzing Fibers Grimsby Ltd's production is speciality fibers, the risk for the company is minimised.

With global economies improving and no reduction in demand for its fibers experienced in 2021, the risks of Covid-19 impacting future performance are minimal and insignificant.

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



Jemma Turrell

Director

01 March 2022

# **LENZING FIBERS GRIMSBY LIMITED**

## **DIRECTORS' REPORT**

**31 December 2021**

The directors present their annual report on the affairs of the company, together with the financial statements and Auditor's report for the year ended 31 December 2021.

## **RESULTS AND DIVIDENDS**

The company's profit for the year after taxation was £10,754k (2020: £21,874k). The profit has been transferred to reserves. The profit after tax in 2021 is lower than in 2020 profit after tax as a result of increased energy costs and increased costs of wood pulp. No dividend is proposed to be paid in 2022. (No dividend was paid in 2021).

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## **FINANCIAL INSTRUMENTS**

The company makes use of forward currency contracts to minimise the risk of adverse exchange rate movements. All open positions as of the Balance Sheet date are revalued at market rates.

## **POLITICAL CONTRIBUTION**

The company made no political contributions during the year or previous year.

## **STREAMLINED ENERGY AND CARBON REPORTING**

The Company is committed to reducing its energy consumption and carbon emissions. This is in line with Lenzing AG's core value of sustainability and their strategic objective to be carbon neutral by 2050. The Company sets targets for energy consumption and carbon emissions and measures progress towards targets by use of monthly KPI's. These KPI's are reviewed by the Company's Management Team during their monthly Business Review meetings. In 2021 electricity usage was 1,630 kwh per tonne of production. This was marginally higher than 2020 which was 1,626 kwh per tonne of production and was due to inefficiencies in starting up the plant after a full scheduled shutdown to carry out maintenance and capital investment improvements. The effects of this work have improved efficiencies and further energy reduction improvements are planned for the coming years. Production volume in 2021 was 37,289 tonnes and in 2020 was 38,774 tonnes.

## **DIRECTORS**

The directors who served during the year and subsequently were as follows:

Jemma Louise Turrell;

Adrian Charles Francis Dodds (resigned 30 December 2021);

Philip Munson (resigned 31 January 2022; and

Erwin Ragnar Harald Kuebel (appointed 31 January 2022).

## **REGISTERED OFFICE ADDRESS**

The company's registered office address is:-

Energy Park Way

Grimsby

DN31 2TT

UK

# LENZING FIBERS GRIMSBY LIMITED

## DIRECTORS' REPORT (continued) 31 December 2021

### AUDITOR

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

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

(1) so far as the director is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the company's auditor is unaware; and

(2) the director has taken all the steps that he ought to have taken as a director in order to make himself 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.~~

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



Jemma Turrell

Director

01 March 2022

Energy Park Way

Grimsby

DN31 2TT

UK

## LENZING FIBERS GRIMSBY LIMITED

### STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LENZING FIBERS GRIMSBY LIMITED

## Opinion

We have audited the financial statements of Lenzing Fibers Grimsby Limited ("the Company") for the year ended 31 December 2021 which comprise the profit and loss account, statement of other comprehensive income, the balance sheet, the statement of changes in equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework* and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

## Fraud and breaches of laws and regulations – ability to detect

### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Company's high-level policies and procedures to prevent and detect fraud, including the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets for staff including EBITDA target for annual bonuses

- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that intercompany sales are recorded in the wrong period and the risk that management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of the Company-wide fraud risk management controls

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included journals posted to unusual accounts involving revenue and postings into the cash accounts as well as journals posted by the Financial Controller.
- Identifying a sample of high-risk invoices posted close to the year end and comparing the date of revenue recognition to supporting documents

*Identifying and responding to risks of material misstatement related to compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards) and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies' legislation), distributable profits legislation and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, regulatory capital and liquidity and certain aspects of company legislation recognising the nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

### *Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

#### **Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

~~Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:~~

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

#### **Matters on which we are required to report by exception**

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

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

We have nothing to report in these respects.

#### **Directors' responsibilities**

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **The purpose of our audit work and to whom we owe our responsibilities**

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.



**Oliver Stephenson (Senior Statutory Auditor)**

**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

1 Sovereign Square

Sovereign Street

---

Leeds

LS1 4DA

1 March 2022

# LENZING FIBERS GRIMSBY LIMITED

## PROFIT AND LOSS ACCOUNT Year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Turnover	4	108,148	91,072
Cost of sales		(83,634)	(55,692)
<b>GROSS PROFIT</b>		<b>24,514</b>	<b>35,380</b>
Other income	6	260	61
Administrative expenses		(10,567)	(8,135)
<b>OPERATING PROFIT</b>	6	<b>14,207</b>	<b>27,306</b>
Interest receivable and similar income	8	23	26
Interest payable	9	(13)	(15)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>14,217</b>	<b>27,317</b>
Tax on profit on ordinary activities	10	(3,463)	(5,443)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<b>10,754</b>	<b>21,874</b>

Turnover and operating profit are derived from continuing operations in the current and prior year.

The accompanying notes form part of the financial statements.

## Statement of Other Comprehensive Income

	2021 £'000	2020 £'000
Profit for the financial year	10,754	21,874
Total recognised gains and losses relating to the year	10,754	21,874

The accompanying notes form part of the financial statements.

# LENZING FIBERS GRIMSBY LIMITED

## BALANCE SHEET At 31 December 2021

	Note	2021 £'000	2020 £'000
<b>NON CURRENT ASSETS</b>			
Tangible assets	11,12	25,864	24,941
<b>CURRENT ASSETS</b>			
Stocks	13	24,927	17,445
Debtors	14	21,605	21,403
Cash at bank and in hand		42,754	26,109
		<u>89,286</u>	<u>64,957</u>
<b>CREDITORS: Amounts falling due within one year</b>	15	(20,671)	(7,444)
<b>NET CURRENT ASSETS</b>		<u>68,615</u>	<u>57,513</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		94,479	82,454
<b>CREDITORS: Amounts falling due after more than one year</b>	15	(277)	(284)
<b>PROVISIONS</b>	16	(3,351)	(2,073)
<b>NET ASSETS</b>		<u>90,851</u>	<u>80,097</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	-	-
Profit and loss account		47,088	36,334
Capital contribution		43,763	43,763
<b>SHAREHOLDERS' FUNDS</b>		<u>90,851</u>	<u>80,097</u>

The financial statements for Lenzing Fibers Grimsby Limited (registered number 5709148) were approved by the Board of Directors and authorised for issue on 01 March 2022. The notes on the following pages form an integral part of these financial statements.

Signed on behalf of the Board of Directors:



Jemma Turrell

Director

Company Registration Number: 5709148

The accompanying notes form part of the financial statements.

# LENZING FIBERS GRIMSBY LIMITED

## STATEMENT OF CHANGES IN EQUITY At 31 December 2021

	Share capital £'000	Capital contribution £'000	Profit and loss account £'000	Total £'000
Balance at 01 January 2020	-	43,763	34,460	78,223
Profit for the period	-	-	21,874	21,874
<b>Total comprehensive income for the period</b>	-	-	21,874	21,874
Transactions with owners				
Dividend	-	-	(20,000)	(20,000)
<b>Balance at 31 December 2020</b>	-	43,763	36,334	80,097
Profit for the period	-	-	10,754	10,754
<b>Total comprehensive income for the period</b>	-	-	10,754	10,754
Transactions with owners				
Dividend	-	-	-	-
<b>Balance at 31 December 2021</b>	-	43,763	47,088	90,851

The accompanying notes form part of the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 31 December 2021**

**1. GENERAL INFORMATION**

Lenzing Fibers Grimsby Limited (the Company) is a Company incorporated, domiciled and registered in England in the UK. The registered number is 05709148 and the registered address is Energy Park Way, Grimsby, DN31 2TT, UK. The company is limited by shares. The nature of the Company's operations and its principal activities are set out in the strategic report on page 2.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates. All values are rounded to the nearest Pound Sterling (£'000) except when otherwise stated.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Accounting Standards in conformity with the requirements of the Companies Act 2006 ("UK - Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of FRS 101 disclosure exemption has been taken.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of accounting**

The Company meets the definition of a qualifying entity under FRS 101 (Financial Reporting Standard 101) issued by the Financial Reporting Council. These financial statements were prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions.

Where relevant, equivalent disclosures have been given in the group accounts of B&C Holding GmbH. The group accounts of B&C Holding GmbH are available to the public and can be obtained as set out in note 22.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

**Going concern**

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic report on page 2.

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

Due to the continued strong demand of its fibers the Company traded at full capacity throughout 2021 and sold from inventory. A robust risk assessment is in place to ensure a safe and continued operation of the business throughout the pandemic. Sales forecasts for 2022 are underpinned by an order book that demonstrates strong demand for the Company's products with no downturn seen from the impact of Covid 19 or as a result of the UK leaving the EU.

At 31 December 2021 the Company had cash reserves of £42.8m and the Company remains unencumbered from any financing facility or Covenant requirements. The Directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, even after taking account of reasonably possible downsides, the Company will be cash generative and will have sufficient funds to meet its liabilities as they fall due for that period.



**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Year ended 31 December 2021**

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Property, plant and equipment**

Property, plant and equipment are stated at cost less depreciation and provision for impairment. Freehold land is not depreciated. Depreciation is recognised so as to write off the cost of assets (other than freehold land and assets under construction) over their useful lives, using the straight-line method, on the following bases:

Buildings	15 or 25 years
Plant & equipment	10 or 15 years
Fixtures, fittings and other	3 - 10 years

The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Assets under construction are not depreciated until they are brought into use.

See note 12 for assets held under Finance Leases.

A tangible fixed asset is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

**Stocks**

Stocks are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, appropriate labour and overheads that have been incurred in bringing the stocks to their present location and condition. Consignment engineering items are excluded from stock. Provisions are charged on engineering stores inventory to reflect the usage of the assets over their expected lives. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

**Intangible assets - research and development expenditure**

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset would only be recognised if, and only if, all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible assets so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible assets; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

All development expenditure incurred in the period has been expensed as it does not meet the requirements as stated above.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax.

**Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

**Deferred tax**

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

**Current tax and deferred tax for the year**

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

**Foreign exchange**

Transactions denominated in currencies other than the Company's functional currency (foreign currencies) are translated into the functional currency at rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These foreign exchange transaction differences are recognised in profit or loss in the period in which they arise.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

The cost of providing retirement pensions and related benefits in respect of defined contribution schemes is charged to the profit and loss account when incurred. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet. The Scheme is a Group Personal Pension Scheme and consequently employee and employer contributions accumulate in employees' individual policy accounts which are administered by a third party pension administrator.

Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

*As a lessee*

The Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price and the aggregate stand-alone price of the non-lease components.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred (and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located), less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise,
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Year ended 31 December 2021**

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the re-measurement being recorded in profit or loss.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

The Company has elected not to recognise right-of-use assets and lease liabilities for lease of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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**Turnover**

Turnover is measured as the consideration received or receivable for goods and services from the company's principal activity, net of trade discounts, VAT and other sales-related taxes.

Turnover comprises the manufacture and sale of man-made fibres. Turnover from the sale of goods is recognised when the following condition is satisfied:

- the Company has fulfilled its performance obligations by the transfer of the promised goods identified in the contract to the buyer. The point of recognition of revenue is determined to be the point at which the items are either dispatched or pass over the ship's rails, in line with incoterms.

The amount of turnover provided reflects the consideration to which the company expects to be entitled in exchange for the goods.

Commission income is generated from the selling of fiber on behalf of other Lenzing Group companies. This commission income is reflected in turnover when qualifying sales are made.

**Financial instruments**

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

**Financial assets**

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

**Financial assets at FVTPL**

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the profit and loss account.

*Loans and receivables*

Trade debtors, loans, and other debtors that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

*Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. For certain categories of financial asset, such as trade debtors, assets that are assessed not to be impaired individually are, in addition, assessed for expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

For financial assets carried at amortised cost, the amount of the impairment is the differences between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade debtors, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

*Derecognition of financial assets*

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

*Financial liabilities and equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

*Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

*Financial liabilities*

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

*Financial liabilities at FVTPL*

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the profit and loss account.

*Other financial liabilities*

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

*Derecognition of financial liabilities*

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

*Derivative financial instruments*

The Company enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risk, including foreign exchange forward contracts.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a current asset due after one year or a creditor due after more than one year if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

The Company has applied IFRS 9 to reflect the ineffectiveness between the forward currency contracts and the underlying transactions and also the expected credit loss on trade receivables.

**Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION  
UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 2, the directors are required to make judgements, 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.

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*Critical judgements in applying the Company's accounting policies*

The following are the critical judgements that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

**Revenue**

In making its judgement, management considered the detailed criteria for the recognition of revenue from the sale of goods set out in IFRS 15, in particular, whether the Company had fulfilled its performance obligations and transferred to the buyer the goods identified in the contract. Following the detailed quantification of the Company's liability in respect of rectification work, and the agreed limitation on the customer's ability to require further work or to require replacement of the goods, the directors are satisfied that the contractual performance obligations have been met and that recognition of the revenue in the current year is appropriate, in conjunction with recognition of an appropriate provision for the rectification costs.

*Key sources of estimation uncertainty*

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.

**Fair value measurements and valuation processes**

Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Company obtains values from the relevant corresponding third parties through use of period end exchange rates.

**Aged stock provisions**

Finished Goods stock and Consumables Stock is reviewed periodically for aged items. The Company estimates the stock's current value using its knowledge and expertise and calculates provisions accordingly.



# LENZING FIBERS GRIMSBY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2021

### 4. TURNOVER

The geographical analysis of turnover by class and geographical market is as follows:

	2021	2020
	£'000	£'000
<b>Sale of man-made fibres</b>		
United Kingdom	7,080	6,882
Europe	13,098	13,880
Asia	83,536	66,748
Rest of World	4,434	3,562
<b>Total turnover</b>	<b>108,148</b>	<b>91,072</b>

### 5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2021 Number	2020 Number
<b>Average monthly number of persons employed:</b>		
Production	175	167
Selling and distribution	10	9
Administration	28	26
	<b>213</b>	<b>202</b>
	£'000	£'000
<b>Staff costs during the year:</b>		
Wages and salaries	10,572	9,483
Social security costs	1,080	1,074
Other pension costs	1,900	1,505
Severance costs	10	330
	<b>13,562</b>	<b>12,392</b>

The aggregate amount of emoluments paid to directors (excluding pension contributions) in respect of qualifying services was £314k (2020: £371k). Total contributions of £75k (2020: £74k) were also paid in respect of money purchase pension schemes for directors.

The emoluments of the highest paid director (excluding pension contributions) were £132k (2020: £143k). During the year the company made contributions of £25k (2020: £21k) to a money purchase pension scheme in respect of their qualifying services. No payments were made to directors under Long Term Incentive Plans.

There are no share option schemes in operation.

# LENZING FIBERS GRIMSBY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2021

### 6. OPERATING PROFIT

Operating profit has been derived after charging/(crediting):	2021	2020
	£'000	£'000
Depreciation of tangible fixed assets	2,431	2,224
Depreciation of right of use assets	113	161
Impairment charges	-	334
Operating lease rentals:		
Plant and machinery	62	42
Other	1,437	1,557
Research and development costs	2,050	1,304
Net foreign exchange losses/(gains)	1,029	567
Income from sales of scrap	(47)	(30)
Income from staff secondments to group companies	(1,470)	(1,419)
Income from recharges to associated companies	-	(50)
	<u>          </u>	<u>          </u>

### 7. AUDITOR'S REMUNERATION

Fees payable to KPMG LLP and their associates for the audit of the Company's annual accounts were £67,700 in 2021.

Fees payable to KPMG LLP and their associates for the audit of the Company's annual accounts were £65,700 in 2020.

Fees payable to KPMG LLP and their associates for non-audit services to the Company were £nil in 2021 and 2020.

### 8. INTEREST RECEIVABLE AND SIMILAR INCOME

	2021	2020
	£'000	£'000
Bank interest receivable	<u>23</u>	<u>26</u>

### 9. INTEREST EXPENSE

	2021	2020
	£'000	£'000
Interest on tax instalments	4	-
Interest on finance leases	9	15
	<u>13</u>	<u>15</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 31 December 2021**

**10. TAX ON PROFIT ON ORDINARY ACTIVITIES**

**a) The tax charge for the year comprises:**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current tax</b>		
United Kingdom corporation tax on the profit for the year	1,931	5,299
Adjustment in respect of prior periods	254	8
<b>Total current tax</b>	<u>2,185</u>	<u>5,307</u>
<b>Deferred tax</b>		
Current year	1,447	136
Adjustments in respect of prior periods	(169)	-
	<u>1,278</u>	<u>136</u>
<b>Total tax charge on profit on ordinary activities</b>	<u>3,463</u>	<u>5,443</u>

**b) Factors affecting the tax charge for the year**

The tax charge for the year can be reconciled to the profit and loss account as follows:

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Profit on ordinary activities before tax	14,217	27,317
Tax at the standard rate of 19.00% (2020: 19.00%)	2,701	5,190
<b>Effect of:</b>		
Adjustment to tax charge in respect of prior periods	85	8
Expenses not deductible for tax purposes	1	-
Income not taxable	(40)	-
ACA's super deduction	(137)	-
Tax rate changes	822	228
Effect of non-qualifying depreciation	31	17
<b>Tax charge for the period</b>	<u>3,463</u>	<u>5,443</u>

UK corporation tax rate remained at 19% for the year starting 1 April 2021 and 1 April 2022. This was substantively enacted on 17 March 2020.

In the 3 March 2021 Budget it was announced that the UK tax rate will increase to 25% from 1 April 2023. This was substantively enacted on 24 May 2021.

This will have a consequential effect on the company's future tax charge.

The deferred tax liability at 31 December 2021 has been calculated based on the rate that will apply in the period the liability will be settled or the asset is realised.

If this rate change had been substantively enacted at the current balance sheet date the deferred tax liability would have decreased by £24k.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 31 December 2021**

**11. TANGIBLE FIXED ASSETS**

<b>Cost</b>	<b>Freehold land and buildings £'000</b>	<b>Plant and machinery £'000</b>	<b>Fixtures, Fittings and equipment £'000</b>	<b>Assets under construction £'000</b>	<b>Total £'000</b>
At 1 January 2021	3,144	30,510	2,080	2,015	37,749
Additions	-	1,229	129	2,122	3,480
Reclassifications	1,170	(1,372)	202	-	-
Disposals	-	(38)	-	-	(38)
At 31 December 2021	4,314	30,329	2,411	4,137	41,191
<b>Accumulated depreciation</b>					
At 1 January 2021	2,145	9,406	1,257	-	12,808
Charge for the year	64	2,282	198	-	2,544
Reclassifications	6	(7)	1	-	-
Disposals	-	(25)	-	-	(25)
At 31 December 2021	2,215	11,656	1,456	-	15,327
<b>Net book value</b>					
At 31 December 2021	2,099	18,673	955	4,137	25,864
At 31 December 2020	999	21,104	823	2,015	24,941

At year end, plant and machinery includes right of use assets of £319k (2020: £337k). Depreciation of £113k (2020: £161k) was charged on these assets during the period.

Freehold land and buildings includes an amount that was historically acquired for land which is not depreciated.

# LENZING FIBERS GRIMSBY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2021

### 12. LEASE ARRANGEMENTS

#### Right-of-use assets

Right-of-use assets related to lease properties that do not meet the definition of investment properties are presented as property, plant and equipment (see note 11)

#### Amounts recognised in profit or loss

The following amounts have been recognised in profit or loss for which the Company is a lessee:

	2021 £'000	2020 £'000
Interest expense on lease liabilities	9	15
Expenses relating to short-term leases	303	341
Expenses relating to leases of low-value assets accounted, excluding short term leases of low-value assets	7	6
Expenses relating to variable lease payments not included in the measurement of lease liabilities	1,189	1,252

#### Amounts recognised in statement of cash flows

	2021 £'000	2020 £'000
Total cash outflow for leases	1,499	1,599

At 31 December 2021, the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land and buildings 2021 £'000	Other 2021 £'000	Land and buildings 2020 £'000	Other 2020 £'000
Within one year	697	2	558	1
Within two to five years	-	-	-	-
Greater than five years	-	-	-	-
	<u>697</u>	<u>2</u>	<u>558</u>	<u>1</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 31 December 2021**

**13. STOCKS**

	2021 £'000	2020 £'000
Raw materials	14,221	5,175
Finished goods	10,706	12,270
	<u>24,927</u>	<u>17,445</u>

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The market value of stock is in excess of its carrying value.

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £34,448k (2020: £27,458k). The write-down of stocks to net realisable value amounted to £1,204k (2020: £389k). The increase in write-downs relates to finished goods. The reversal of write-downs amounted to £4k as discussed below (2020: £109k). The write-down and reversal are included in cost of sales. The reversal of write downs relates to aged finished goods that were sold for more than the estimated net realisable value.

**14. DEBTORS**

	2021 £'000	2020 £'000
<b>Amounts falling due within one year:</b>		
Trade debtors	7,049	4,561
Amounts owed by group undertakings	12,219	15,836
Prepayments	309	313
VAT and Corporation Tax recoverable	1,317	311
Derivative assets	586	256
Other receivables	125	126
	<u>21,605</u>	<u>21,403</u>
<b>Amounts falling due after one year:</b>	<u>-</u>	<u>-</u>
<b>Total debtors</b>	<u>21,605</u>	<u>21,403</u>

Amounts owed by group undertakings are repayable between seven and one hundred and fifty days from invoice date.

Derivative assets relate to gains on revaluation of foreign currency hedging contracts.

# LENZING FIBERS GRIMSBY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2021

### 15. CREDITORS

	2021 £'000	2020 £'000
<b>Amounts falling due within one year:</b>		
Trade creditors	3,493	1,832
Amounts due to group undertakings	4,973	2,438
Corporation tax payable	-	107
Other taxation and social security	316	309
Derivative liabilities	742	807
Accruals and deferred income	11,051	1,858
Finance lease liabilities	96	93
	<u>20,671</u>	<u>7,444</u>
	2021 £'000	2020 £'000
<b>Amounts falling due after one year:</b>		
Finance lease liabilities	277	284
	<u>277</u>	<u>284</u>

Amounts owed to group undertakings are payable between ten and forty five days from invoice date.

### 16. DEFERRED TAXATION

The movements in deferred taxation as calculated on the liability method at 19% or 25% (based on the rate that will apply in the period the liability will be settled or the asset is realised), (2020: 19%) are set out below:

	2021 £'000	2020 £'000
At 1 January	2,073	1,937
Charge/(credit) to the income statement	1,447	136
Charge/(credit) to other comprehensive income	-	-
Adjustment in respect of prior year	(169)	-
At 31 December	<u>3,351</u>	<u>2,073</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 31 December 2021**

**16. DEFERRED TAXATION (Continued)**

The amount of deferred taxation provided and not provided in the accounts are as follows:

	Provided 2021 £'000	Not provided 2021 £'000	Provided 2020 £'000	Not provided 2020 £'000
Accelerated capital allowances	3,456	-	2,235	-
Short term timing differences	(75)	-	(57)	-
Derivative contracts transition adjustment	(30)	-	(105)	-
	<u>3,351</u>	<u>-</u>	<u>2,073</u>	<u>-</u>

**17. CALLED UP SHARE CAPITAL**

	2021 £	2020 £
Allotted, called up and fully paid 1 ordinary share of £1	<u>1</u>	<u>1</u>

The Company has one class of ordinary shares which carry no right to fixed income.

**18. DIVIDENDS ON EQUITY SHARES**

No dividend is proposed to be paid in 2022 for the year ended 31 December 2021. No dividend was proposed or paid in 2021 for the year ended 31 December 2020.

**19. CAPITAL COMMITMENTS**

At 31 December 2021, capital expenditure contracted for but not provided for amounted to £1,373k (2020: £259k).

**20. PENSIONS**

The company has a defined contribution Group Personal Pension Plan administered by Scottish Widows (previously administered by Reassure). The contributions of the company to this scheme vary according to the level of contribution of the member. A change in the terms of employer contributions became effective in May 2020. This led to an increase in the pension costs of the company under this plan. 2021 contributions were £1,900k (2020: £1,505k). At 31 December 2021, contributions due to the plan but not paid were £178k (2020: £167k). These contributions were paid over to the plan in January 2022.



**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 31 December 2021**

**21. RELATED PARTY TRANSACTIONS**

The Company has taken advantage of the exemption in FRS 101 not to disclose transactions with other group companies under 100% ownership of the ultimate parent. There has been no transactions with related parties of the Directors.

**22. IMMEDIATE AND ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

Lenzing Fibers Grimsby Limited is a wholly owned subsidiary of Lenzing Fibers Holding GmbH, a company incorporated in Austria. The ultimate parent undertaking and controlling party is B & C Holding GmbH.

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~~The smallest and largest groups in which Lenzing Fibers Grimsby Limited is consolidated are those headed by Lenzing AG and B & C Holding GmbH respectively.~~

Copies of the consolidated financial statements of B&C Holding GmbH are available from the Corporate Communications Department, Lenzing AG, 4860 Lenzing, Austria.