

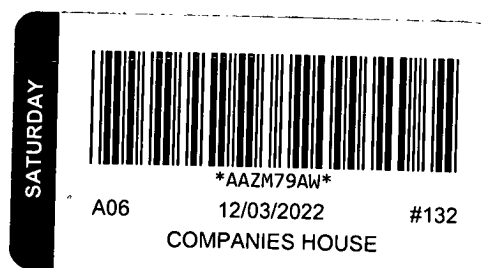


**IFG Drake Limited**

**Annual report and financial statements**

**for the year ended 30 June 2021**

**Registered number 00395431**



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## **Company Information**

**The board of directors**

**S O'Neil**  
**B B Deruyttere**  
**J T Hedlund**

**Registered office**

**Victoria Mills**  
**Victoria Lane**  
**Golcar**  
**Huddersfield**  
**West Yorkshire**  
**HD7 4JG**

**Independent Auditors**

**BHP LLP**  
**1<sup>st</sup> Floor**  
**Mayesbrook House**  
**Lawnswood Business Park**  
**Redvers Close**  
**Leeds**  
**LS16 8QY**

## Strategic Report

### Strategic report for the year ended 30 June 2021

The directors present the strategic report on the Company for the year ended 30 June 2021.

#### Business Review

The principal activity of the Company is the production and sale of synthetic fibre and yarn, operating from two sites in the UK.

Revenue for the year was £29,841,000 (2020: £28,111,000) and loss before taxation amounted to £783,000 (2020: profit of £215,000). The operating loss for the year amounted to £800,000 (2020: profit of £67,000). The operating profit for the year before exceptional costs amounted to £876,000 (2020: profit of £67,000).

Sales volumes throughout the year were significantly higher than Budget and expectations, as customers slowly opened up from the COVID-19 pandemic. The year was always going to be a difficult one due to restructuring the production sites of the Company. We closed our Drighlington site for production on 30<sup>th</sup> June 2021 and transitioned product away from the site to our other production site in Golcar and a sister company in Belgium and ceased yarn production. We managed to continue and develop the growth in our technical fibres which enabled us to secure a relatively good trading profit, before the exceptional costs due to the site closure.

The exchange rate, raw material prices, energy costs and Brexit continue to be the key business risks affecting the company.

The equity of the Company decreased in the year, ending at £10,132,000 (2020: £13,773,000)

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using key performance indicators is not necessary for the understanding of the development, performance or position of the Company.

#### Principal risks and uncertainties

The principal risks and uncertainties of Duroc AB (publ), which includes those of the Company, are discussed within the business and finance review of the Group's annual report, which does not form part of this report. The principal risks for the Fibres segment of Duroc AB (publ) are the competitive nature of the markets which is mitigated by investment in new machinery and facilities and coordination with research facilities to develop biologically degradable fibres.

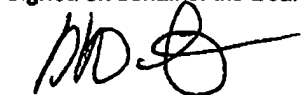
The key operational risk continues to be the competitive nature of the markets for the Company's products. To mitigate this risk the group seeks to improve existing products, diversify the product offerings, introduce new products and provide high levels of customer service.

Raw material availability has significantly impacted our business over the last 12 months and continues to cause concern. We incurred record high raw material prices and supply constraints from our contracted suppliers whilst shortages of supplies into the marketplace. Greater demands on polypropylene supplies from the USA have impacted European supplies and caused the drive in increased raw material prices.

Energy costs and supply issues continue to be key risks to the business, whilst distribution costs have significantly increased post Brexit with a worldwide shortage of haulage contractors and drivers.

Other risks include exchange rate movements, fluctuating raw material price and changing energy costs.

Signed on behalf of the Board by



S O'Neill  
Director

8<sup>th</sup> MARCH 2022

## **Directors' report**

The directors present their annual report and the audited financial statements of the Company for the year ended 30 June 2021.

### **Future developments**

The Company will continue with its principal activity of the production and sale of synthetic fibre.

### **Dividends**

A dividend of £2,795,000 was declared and paid during the year (2020: £nil).

### **Directors**

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

S O'Neil

J O Hager (resigned 16 September 2021)

B B Deruyttere (appointed 16 September 2021)

J T Hedlund (appointed 16 September 2021)

None of the directors have any interest in the shares of the Company.

### **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. International Fibres Group (Holdings) Limited purchased and maintained throughout the financial year a Group policy for Directors' and Officers' liability insurance that covers the Company and its Directors.

### **Research and development costs**

The Company continues to invest in new product development and such costs in the year amounted to £46,000 (2020: £32,000).

### **Financial risk management**

Borrowing requirements are monitored on a Group basis to ensure that funding requirements minimise commercial risk and are adequate to support the on-going requirements of the operation.

The Company has prepared forecasts for the future trading which show a reasonable profit following the reduction in production capacity. The Company continues to monitor and control all costs and are satisfied that the Company will continue as a going concern. As at the date of signing the directors are confident of a sustained recovery following Covid-19 and restructuring.

## Directors' report (continued)

### Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the 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 101 "Reduced Disclosure Framework", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, 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.

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

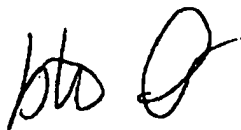
In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### Independent Auditors

The independent auditors, BHP LLP were appointed during the year and are deemed to be reappointed under Section 487(2) of the Companies Act 2006.

Signed on behalf of the board of directors:



S O'Neill  
Director

8<sup>th</sup> MARCH 2022

## **Independent auditors' report to the members of IFG Drake Limited**

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

#### **Opinion**

In our opinion, IFG Drake Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2021 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 101 "Reduced Disclosure Framework", 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 Annual report and financial statements (the "Annual Report"), which comprise: the statement of financial position as at 30 June 2021; the income statement, 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.

#### **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.

#### **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.

#### **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.

## **Independent auditors' report to the members of IFG Drake Limited (continued)**

### **Reporting on other information (continued)**

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.

#### ***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 30 June 2021 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.

### **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 set out on page 4, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below. There are inherent limitations in the audit procedures as described above and, the further removed from non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates and considered the risk of acts by the company that were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

We focused on laws and regulations, relevant to the company, which could give rise to a material misstatement in the financial statements. Our tests including agreeing the financial statement disclosures to underlying supporting documentation, enquiries with management, review of client's operation of controls within the year and review of journals. There are inherent limitations in the audit procedures as described above and, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

As part of our audit, we also addressed the risk of management override of internal controls, including testing of journals and review of the nominal ledger. From this we evaluated whether there was evidence of bias by the directors that could represent a risk of material misstatement due to fraud.

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.



## **Independent auditors' report to the members of IFG Drake Limited (continued)**

### **Responsibilities for the financial statements and the audit (continued)**

#### *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.

#### **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.

*Chris Neale*

Chris Neale (Mar 10, 2022 09:40 GMT)

Chris Neale (Senior Statutory Auditor)  
for and on behalf of BHP LLP  
Chartered Accountants and Statutory Auditors  
1<sup>st</sup> Floor, Mayesbrook House  
Redvers Close  
Leeds  
LS16 6QY

Mar 10, 2022

2022

**Income statement**  
*for the year ended 30 June 2021*

		Year ended 30 June 2021	Year ended 30 June 2020
	Note	£'000	£'000
Revenue	3	29,641	28,111
Cost of sales		(27,306)	(28,538)
<b>Gross profit</b>		<b>2,335</b>	<b>1,573</b>
Distribution costs		(1,418)	(1,565)
Other administrative expenses		(321)	(278)
Exceptional expenses	4	(1,676)	—
Other operating income	5	280	337
<b>Operating (loss)/profit</b>	<b>6</b>	<b>(800)</b>	<b>67</b>
Finance income	9	22	162
Finance expense	9	(5)	(14)
<b>(Loss)/profit before taxation</b>		<b>(783)</b>	<b>215</b>
Income tax income/(expense)	10	45	(68)
<b>(Loss)/profit for the financial year</b>		<b>(738)</b>	<b>149</b>

The results for the current and prior year derive from continuing activities.

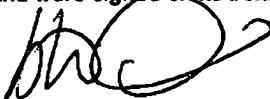
**Statement of comprehensive income**  
*for the year ended 30 June 2021*

	Year ended 30 June 2021	Year ended 30 June 2020
	£'000	£'000
<b>(Loss)/profit for the financial year</b>	<b>(738)</b>	<b>149</b>
<b>Other comprehensive income that will be reclassified subsequently to profit or loss when specific conditions are met</b>		
Changes in fair value of hedging derivative	(108)	20
<b>Total other comprehensive (expense)/income</b>	<b>(108)</b>	<b>20</b>
<b>Total comprehensive (expense)/income for the year</b>	<b>(846)</b>	<b>169</b>

**Statement of financial position**  
**as at 30 June 2021**

	Note	30 June 2021		30 June 2020	
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Property, plant and equipment	11		1,934		2,218
Right of use asset	12		86		250
<b>Current assets</b>					
Inventories	13	2,058		2,128	
Trade and other receivables	14	10,587		11,188	
Other financial assets	17	—		21	
Cash and cash equivalents		—		1,018	
		<u>12,645</u>		<u>14,355</u>	
<b>Creditors: amounts falling due within one year</b>					
	15	(3,022)		(2,348)	
Other financial liabilities	17	(8)		—	
Provision for liabilities and charges	18	(910)		(78)	
		<u>—</u>		<u>—</u>	
<b>Net current assets</b>			<u>8,705</u>		<u>11,929</u>
<b>Total assets less current liabilities</b>			<u>10,725</u>		<u>14,397</u>
<b>Creditors: amounts falling due after more than one year</b>					
	16	(45)		(67)	
Provision for liabilities and charges	18	(339)		(313)	
Deferred taxation	19	(209)		(254)	
		<u>—</u>		<u>—</u>	
<b>Net assets</b>			<u>10,132</u>		<u>13,773</u>
<b>Equity</b>					
Called up share capital	20	—		—	
Cash flow hedging reserve		(10)		98	
Profit and loss account		10,142		13,675	
		<u>10,132</u>		<u>13,773</u>	
<b>Total equity</b>			<u>10,132</u>		<u>13,773</u>

The financial statements on pages 8 to 24 were approved by the board of directors on and were signed on its behalf by:

  
S O'Neil  
Director

8TH MARCH 2022

The notes on pages 11 to 24 form part of these financial statements.

# Statement of changes in equity for the year ended 30 June 2021

	Called up share capital £'000	Cash flow hedging reserve £'000	Profit and loss account £'000	Total Equity £'000
<b>As at 1 July 2019</b>	<b>-</b>	<b>78</b>	<b>13,626</b>	<b>13,604</b>
Profit for the financial year	-	-	149	149
Changes in fair value of hedging derivative	-	20	-	20
<b>Total other comprehensive income for the year</b>	<b>-</b>	<b>20</b>	<b>-</b>	<b>20</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>20</b>	<b>149</b>	<b>169</b>
<b>As at 30 June 2020</b>	<b>-</b>	<b>98</b>	<b>13,675</b>	<b>13,773</b>
Loss for the financial year	-	-	(738)	(738)
Changes in fair value of hedging derivative	-	(108)	-	(108)
<b>Total other comprehensive income for the year</b>	<b>-</b>	<b>(108)</b>	<b>-</b>	<b>(108)</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(108)</b>	<b>(738)</b>	<b>(846)</b>
Dividends	-	-	(2,795)	(2,795)
<b>As at 30 June 2021</b>	<b>-</b>	<b>(10)</b>	<b>10,142</b>	<b>10,132</b>

## Notes to the financial statements for the year ended 30 June 2021

### 1. General Information

The principal activity of the Company during the year was the production and sale of synthetic fibre and yarn. The yarn production ceased during the year so the principal activity will be the production and sale of synthetic fibre. The Company is a private company limited by shares and is incorporated and domiciled in the UK. The address of its registered office is Victoria Mills, Victoria Lane, Golcar, Huddersfield, Yorkshire, HD7 4JG, England.

### 2. Summary of significant accounting policies

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### *Basis of preparation*

The financial statements are presented in sterling rounded to the nearest thousand. They are prepared on a going concern basis and under the historical cost convention modified by revaluation of financial assets and financial liabilities measured at fair value through profit and loss. Foreign exchange contracts are re-measured at their fair value at each balance sheet date. The significant accounting policies applied in the preparation of these financial statements are set out below, and unless otherwise stated, these policies have been consistently applied to all the periods presented.

These financial statements have been prepared in accordance with United Kingdom Accounting Standards, in particular, Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS 101"), and, the Companies Act 2006 (the "Act") as applicable to companies using FRS 101. FRS 101 sets out a reduced disclosure framework for a "qualifying entity" as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

#### *Going concern*

The outbreak of the COVID-19 global pandemic in 2020 brought about a period of global economic uncertainty. At the outset of the pandemic the directors assessed its expected impact on the Company's trading performance and liquidity and put in place a number of measures to ensure the Company would be able to continue to trade.

Those measures included:

- furloughing a portion of the workforce, utilising the UK Government's Coronavirus Job Retention Scheme Note 5 gives details of the amounts received;
- review of all non-essential costs;
- adherence to Government guidelines on safe working protocols within its production facilities and offices, including providing additional PPE, segregating employees to guideline distances and encouraging and supporting home working where appropriate.

Having taken the measures above, the directors reviewed the Company's financial position and outlook for future performance in the context of the COVID-19 impact. This included preparing severe, but plausible, forecasts of future trading performance utilising different scenarios. That review has incorporated an assessment of the continuity of supplies, the availability of its workforce and the impact on its customer base to determine future cash flow projections on a prudent basis. On the basis of that review, the directors have concluded that the Company will have sufficient available liquidity to meet its liabilities as they fall due for a period of not less than 12 months from the date of approval of these financial statements.

The Company is partly dependent on the Duroc AB cash pooling arrangements for access to the cash flows necessary for the day-to-day running of the company and to support the going concern assertion. The company has received confirmation that the Group will not withdraw the facility in the foreseeable future. The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company is expected to be cash generative, and should be expected to be a net depositor into, rather than borrower from, the Duroc AB cash pooling facility.

After making enquiries, the directors have a reasonable expectation that the company has access to adequate financial and other resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

## Notes to the financial statements for the year ended 30 June 2021

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

#### *Disclosure exemptions*

The Company is a qualifying entity for the purposes of FRS 101. Note 22 gives details of the Company's ultimate parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

The principle disclosure exemptions adopted by the Company in accordance with FRS 101 are as follows:

- Statement of cash flows;
- IFRS 7 financial instrument disclosures;
- IAS 1 information on management of capital;
- IAS 8 disclosures in respect of new standards and interpretations that have been issued but which are not yet effective;
- IAS 24 disclosure of key management personnel compensation;
- IAS 24 disclosures in respect of related party transactions entered into between fellow group companies; and
- Roll-forward reconciliations in respect of share capital (IAS 1), property, plant and equipment (IAS 16).

#### *Revenue*

Revenue is recognised when a customer obtains control of goods or services and has the ability to direct the use and obtain the benefits from the goods or services. It applies to all contracts with customers, except those in the scope of other standards.

#### *Property, plant and equipment*

All fixed assets are initially recorded at cost, including those costs that were directly attributable to bringing assets into working condition.

Depreciation is provided by the Company to write off the cost less the estimate residual value of tangible assets over their estimated useful economic lives as follows:

Freehold buildings	-	50 years
Fixtures and fittings	-	10 years
Plant and equipment	-	10 - 15 years (computers 3 years)

Freehold land is not depreciated.

The annual depreciation charge for the property, plant and equipment is sensitive to changes in the estimates useful economic lives and residual values of the assets. The useful economic lives and residual values of the assets are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See Note 11 for the carrying amount of the property, plant and equipment.

#### *Impairments*

The carrying value of property, plant and equipment on the balance sheet are reviewed annually, in order to consider whether any provision for impairment is necessary. Impairment provisions are calculated by comparing the higher of net realisable value and value in use of the asset, using forecast cash flows discounted at the Company's pre-tax weighted average cost of capital, with its carrying value.

## Notes to the financial statements for the year ended 30 June 2021

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

#### *Inventories*

Inventories are valued at the lower of cost and estimated net realisable value. Cost where appropriate includes a proportion of overhead expenses, which are directly related to production, which are absorbed on the basis of normal activity levels. Provision is made, taking into account age and potential obsolescence, in order to reduce gross stock valuations to their estimated recoverable amounts.

#### *Trade receivables*

Under IFRS 9 an impairment provision calculation was prepared on an expected credit loss model based on historical losses, after taking into account credit insurance recoveries, where applicable. This resulted in the inclusion of an impairment provision of £4k (2020 £7k).

#### *Financial Instruments*

The Company applies IFRS 9 related to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. .

Derivative financial instruments, namely foreign exchange contracts, are used as hedges in the financing and financial risk management of the Company and are initially measured at cost on the date a derivative contract is entered into and subsequently re-measured at their fair value at each balance sheet date. The foreign exchange contracts are designated as a cash flow hedge (hedge of highly probably forecast transactions).

For cash flow hedges, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income, with any ineffective portion recognised in the income statement. The gains or losses that are recognised in other comprehensive income are transferred to the income statement in the same period in which the hedged cash flows affect the income statement.

#### *Leases*

The Company leases premises, equipment and vehicles. Rental contracts are typically made for fixed periods of 12 months to 15 years but may have break and / or extension options.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. For accounting periods commencing after 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company, in line with IFRS 16: Leases.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments, less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the company under residual value guarantees;
- Payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

## Notes to the financial statements for the year ended 30 June 2021

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

#### *Leases (continued)*

To determine the incremental borrowing rate, the Company:

- Where possible, uses recent third party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- Uses a build up approach that starts with a risk free interest rate adjusted for credit risk for leases held by the Company, which does not have recent third party financing; and
- Makes adjustments specific to the lease, e.g. term and security.

The Company used incremental borrowing rates specific to each lease translating to an average rate of 3.8%.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability at the date of initial application;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short term leases are leases with a lease term of 12 months or less. Low value assets comprise small items of office equipment.

#### *Taxation*

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been substantially enacted at the balance sheet date.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise, based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

#### *Foreign currencies*

Monetary assets and liabilities denominated in foreign currency are translated into sterling at the rates of exchange ruling at the year end. Transactions in foreign currency are converted into sterling at the rate ruling at the date of the transaction. Gains and losses from foreign currency transactions are included in the operating profit.

#### *Research and development*

Research expenditure is charged to the income statement in the year in which it is incurred, as is development expenditure other than development expenditure meeting the recognition criteria of IAS 38.



## Notes to the financial statements for the year ended 30 June 2021

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

#### *Pensions*

Contributions in respect of defined contribution schemes are charged to the income statement in the year in which they arise.

The Company participates in a multi-employer defined benefit pension plan. This plan is operated on a Group basis that does not enable individual companies to identify their share of the underlying assets and liabilities and in accordance with International Accounting Standard No. 19 "Employee Benefits" the Company accounts for its contributions to the plan as if they were a defined contribution plan. Note 21 gives further details regarding this plan.

#### *Provisions*

Provisions for legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events. It is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of the money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

#### *Government grants*

Grants received in relation to the government Coronavirus Job Retention Scheme (Furlough) have been recognised within other operating income. The grant is accounted for on the accruals basis once the related payroll return has been submitted.

#### *Critical accounting estimates and assumptions*

Estimates 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 resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

**Inventories:** certain items of inventory are not expected to sell at prices which cover cost, either because they are below the required quality standard or are obsolete products. The inventory is carried at a value which reflects the directors' best estimates of achievable selling prices, with provisions being made for inventory obsolescence where applicable. See Note 13 for the net carrying amount of inventories and associated impairment provision.

**Trade receivables:** These are reviewed for indicators of impairment, taking into account any insurance in place, the age of the debt, any known disputes and credit rating information. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables. See Note 14 for the net carrying amount of the receivables and associated impairment provision.

## Notes to the financial statements for the year ended 30 June 2021

### 3. Revenue

The Company's revenue and profit before taxation arise from its principal activity of the production and sale of synthetic fibre and yarn.

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
<b>Geographical analysis</b>		
United Kingdom	17,709	14,707
Europe	10,347	10,508
Australasia and Far East	1,451	2,851
Africa and Middle East	80	155
U.S.A. / Mexico	54	92
	<u>29,641</u>	<u>28,111</u>

### 4. Exceptional expenses

During the year the decision was taken to vacate the leased premises at Old Mills, Drighlington and relocate some of the machinery and employees to the Company's other production site located at Victoria Mills, Golcar, Huddersfield. The yarn division was also closed during the year. Exceptional costs of £1,676,000 were incurred in the year in relation to this which included human resources costs £997,000 (including redundancy), site exit £314,000, removal costs £355,000, impairment of machinery £190,000, other costs £36,000 less sale of scrap income of £216,000

### 5. Other operating income

The Company received other operating income of £280,000 (2020: £337,000) in Government grants, specifically being the Coronavirus Job Retention Scheme in relation to members of staff furloughed during the Covid-19 pandemic period.

### 6. Operating profit/(loss)

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
<b><i>The operating profit is stated after charging / (crediting):</i></b>		
Net depreciation - owned assets	342	339
Fees payable to the Company's auditors in respect of:		
- the audit of the Company's financial statements	23	20
- quarterly reporting	—	5
Operating lease rentals		
- plant and machinery	—	—
- other	2	1
Research and development	46	32
Exchange losses/(gains)	2	(84)
Inventory recognised as an expense in the year	<u>20,967</u>	<u>19,886</u>

## Notes to the financial statements for the year ended 30 June 2021

### 7. Remuneration of directors

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Directors' emoluments – as executives	136	121
Pension costs – defined contribution schemes	9	8
	<u>145</u>	<u>129</u>

The number of directors who are accruing benefits under defined benefit pension schemes at 30 June 2021 was nil (2020: nil). The number of directors who are accruing benefits under defined contribution pension schemes at 30 June 2021 was 1 (2020: 1).

### 8. Staff numbers and costs

The average monthly number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Year ended 30 June 2021 Number	Year ended 30 June 2020 Number
Management and administration	31	38
Manufacturing and distribution	59	67
Selling	6	7
	<u>96</u>	<u>110</u>

The aggregate payroll costs of these persons were as follows:

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Wages and salaries	3,256	3,370
Social security costs	328	334
Other pension costs (note 21)	216	222
	<u>3,800</u>	<u>3,926</u>

## Notes to the financial statements for the year ended 30 June 2021

**9. Finance Income/(expense)**

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
<b>Finance expense:</b>		
Interest on leases (note 12)	(5)	(14)
<b>Finance income:</b>		
Other interest	22	162
	<u>17</u>	<u>148</u>

**10. Income tax expense**

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
<b>Current tax:</b>		
UK corporation tax on the profit for the year at 19% (2020: 19%)	—	29
<b>Total current tax</b>	<u>—</u>	<u>29</u>
<b>Deferred tax:</b>		
Current year	(45)	37
<b>Total deferred taxation (Note 19)</b>	<u>(45)</u>	<u>37</u>
<b>Total tax charge</b>	<u>(45)</u>	<u>66</u>

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 19% (2020: 19%). The actual tax charge for the year is lower (2020: higher) than the standard rate for the reasons set out in the following reconciliation:

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
(Loss)/profit before taxation	(783)	215
Tax on profit before taxation at UK standard rate of 19% (2020: 19%)	(149)	41
Effects of:		
Expenses not deductible for tax purposes	31	2
Income not taxable	(4)	(3)
Change in tax rates	—	26
Losses not provided for	77	—
<b>Total tax (credit)/charge</b>	<u>(45)</u>	<u>66</u>

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 on 26 October 2015 and as part of Finance Bill 2016 on 6 September 2016. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. In March 2020, a further change to the UK Corporation Tax rate was substantively enacted such that it would remain at 19% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

## Notes to the financial statements for the year ended 30 June 2021

### 11. Property, plant and equipment

	Freehold land and buildings £'000	Plant and equipment £'000	Fixtures and fittings £'000	Total £'000
<b>Cost</b>				
At 1 July 2020	1,809	20,638	78	22,525
Additions	3	361	9	373
Disposals	—	(8,229)	(24)	(8,253)
At 30 June 2021	1,812	12,770	63	14,645
<b>Accumulated Depreciation</b>				
At 1 July 2020	1,053	18,675	75	19,803
Charge for year	36	305	1	342
Disposals	—	(7,410)	(24)	(7,434)
At 30 June 2021	1,089	11,570	52	12,711
<b>Impairment provisions</b>				
At 1 July 2020	—	504	—	504
Charge for year	—	189	—	189
Disposals	—	(693)	—	(693)
At 30 June 2021	—	—	—	—
<b>Net book value at 30 June 2021</b>	<b>723</b>	<b>1,200</b>	<b>11</b>	<b>1,934</b>
<b>Net book value at 30 June 2020</b>	<b>756</b>	<b>1,459</b>	<b>3</b>	<b>2,218</b>

### 12. Leases

The Company has lease contracts for premises, equipment and vehicles used in the operations. The amounts recognised in the financial statements in relation to the leases are as follows:

#### (i) Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

	30 June 2021 £'000	1 July 2020 £'000
<b>Right of use assets</b>		
Buildings	—	162
Property, plant and equipment	86	88
	<b>86</b>	<b>250</b>
<b>Lease liabilities</b>		
Current	42	200
Non-current	45	57
	<b>87</b>	<b>257</b>

## Notes to the financial statements for the year ended 30 June 2021

### 12. Leases (continued)

Additions to the right of use assets during the year to 30 June 2021 were £38k (2020: £nil).

#### (II) Amounts recognised in the Income statement

The income statement shows the following amounts relating to leases:

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
<b>Depreciation charge of right of use assets</b>		
Buildings	(162)	(276)
Property, plant and equipment	(40)	(38)
	<u>(202)</u>	<u>(314)</u>
Interest expense (included in finance cost) see Note 9	(5)	(14)
Expense relating to leases of low value assets that are not shown above (included in administrative expenses)	(1)	(1)
<b>(III) Maturity profile of lease liabilities</b>		
Future minimum lease payments as at 30 June are as follows:		
Not later than one year	41	202
Later than one year but not later than five years	50	62
	<u>91</u>	<u>264</u>
Total gross payments	91	264
Impact of future finance expenses	(4)	(7)
	<u>87</u>	<u>257</u>
Carrying amount of liability	87	257

The total cash outflow for leases in the year to 30 June 2021 was £328,000 (2020: £322,000).

### 13. Inventories

	30 June 2021 £'000	30 June 2020 £'000
Raw materials and consumables	933	1,110
Finished goods	1,125	1,018
	<u>2,058</u>	<u>2,128</u>

Inventories are stated net of provision of £99k (2020 £210k). In the opinion of the directors there is no significant difference between the replacement cost of stocks and their value above.

## Notes to the financial statements for the year ended 30 June 2021

### 14. Trade and other receivables

	30 June 2021 £'000	30 June 2020 £'000
Trade debtors	6,839	3,918
Amounts owed by Group undertakings	3,572	6,933
Other debtors	118	172
Prepayments and accrued income	68	165
	<u>10,587</u>	<u>11,188</u>

Trade debtors are stated net of an expected credit loss provision of £4,000 (2020: £7,000).

Amounts owed by Group undertakings is a loan of £3,572,000 to Duroc AB which bears interest at 50 bps above LIBOR rate and is calculated daily. This loan is part of a Group cash pool arrangement and is unsecured.

### 15. Creditors: amounts falling due within one year

	30 June 2021 £'000	30 June 2020 £'000
Trade creditors	2,434	1,589
Corporation tax	—	29
Other taxes and social security	128	88
Lease liabilities (Note 12)	42	200
Accruals and deferred income	418	432
	<u>3,022</u>	<u>2,348</u>

### 16. Creditors: amounts falling due after more than one year

Amounts falling due after more than one year and less than five years:

	30 June 2021 £'000	30 June 2020 £'000
Lease liabilities (Note 12)	45	57
	<u>45</u>	<u>57</u>

### 17. Other financial assets and liabilities

#### Derivative financial instruments

The Company uses various financial instruments to manage its exposure to movements in foreign exchange rates. Foreign exchange contracts mature over the period to 29 October 2021.

The foreign currency transaction exposure in the Company is protected with forward currency purchases and sales. All contracts are placed by the UK head office function.

## Notes to the financial statements for the year ended 30 June 2021

### 17. Other financial assets and liabilities (continued)

At 30 June 2021 the Company had hedged €2,700,000 (2020: 1,880,500) of its EUR denominated currency sales and \$66,000 (2020: nil) of its USD denominated currency sales.

	30 June 2021 Book and fair value £'000	30 June 2020 Book and fair value £'000
<b>Current assets</b>		
Foreign exchange contracts	—	21
<b>Current liabilities</b>		
Foreign exchange contracts	(8)	—
	<u>(8)</u>	<u>21</u>

At the year end the fair value of the currency derivatives are determined by market price as advised by the third-party banks with whom the instruments are held.

### 18. Provisions for liabilities and charges

A Health and Safety Executive prosecution relating back to 2017 was concluded in June 2020 with a fine imposed of £367,000 plus prosecution costs of £24,000. The Company was granted a repayment period of five years to repay the amount in full. The annual commitment is £78,000 per year, commencing June 2021. The provision has not been discounted as the discounting effect is not material.

As disclosed in Note 4 the decision was taken to vacate the Drighlington production site at the end of the initial lease term. The full cost of the reorganisation was included in the income statement during the year and forecast costs included as a provision amounting to £1,676,000.

#### Movements during the year:

	HSE Penalty and costs £'000	Provision for site closure £'000	Total £'000
<b>Provision for penalty and costs</b>			
At 1 July 2020	391	—	391
Charged to income statement	—	1,676	1,676
Utilised	(78)	(740)	(818)
<b>At 30 June 2021</b>	<u>313</u>	<u>936</u>	<u>1,249</u>
<b>Due within 12 months</b>	78	832	910
<b>Due after more than 12 months</b>	235	104	339



## Notes to the financial statements for the year ended 30 June 2021

### 19. Deferred taxation

#### Movements during the year:

	Deferred taxation £'000
At 1 July 2020	(254)
Charged to income statement	45
	<hr/>
At 30 June 2021	(209)

Deferred taxation	Potential liability 30 June 2021 £'000	Amount provided 30 June 2021 £'000	Potential liability 30 June 2020 £'000	Amount provided 30 June 2020 £'000
Accelerated tax allowances on plant, equipment and buildings	241	241	257	257
Other timing differences	(32)	(32)	(3)	(3)
Losses carried forward	(78)	—	—	—
	<hr/>	<hr/>	<hr/>	<hr/>
	131	209	254	254

### 20. Called up share capital

	30 June 2021	30 June 2020
	£	£
<i>Allotted, called up and fully paid</i>		
1 ordinary shares of £1 each (2020: 1)	1	1
	<hr/>	<hr/>

### 21. Pension costs

The Company and other subsidiaries of International Fibres Group (Holdings) Limited are participants in the Chapelthorpe plc Pension Fund, a multi-employer, funded defined benefit scheme and the main scheme operated by the Group. The Company also operates a defined contribution scheme. The assets of both schemes are held in separate trustee administered funds.

With effect from 5 September 2008 the Chapelthorpe plc Pension Fund was closed to future accrual. This plan is operated on a basis that does not enable individual companies to identify their share of the underlying assets and liabilities and in accordance with International Accounting Standard No.19 "Employee Benefits" the Company accounts for its contributions to the plan as if it were a defined contribution scheme. Further details in relation to the funding arrangements and liability in relation to this plan can be found in the International Fibres Group (Holdings) Limited Annual Report and Financial Statements 2021.

During the year ended 30 June 2021 total pension contributions amounted to £227,287 (2020: £221,725) all of which related to the defined contribution scheme. The balance due to the Fund at 30 June 2021 was £39,204 (2020: £7,521).

## **Notes to the financial statements for the year ended 30 June 2021**

### **22. Ultimate holding company**

International Fibres Group Limited, a company incorporated in the United Kingdom, is the immediate parent company of IFG Drake Limited. International Fibres Group (Holdings) Limited, a company also incorporated in the United Kingdom, is the immediate parent company of International Fibres Group Limited. International Fibres Group AB, a company incorporated in Sweden, is the parent company of International Fibres Group (Holdings) Limited. However, these companies have not prepared consolidated financial statements at 30 June 2021.

Duroc AB (publ), a public company incorporated in Sweden (registration number 556446-4286) is the parent company of International Fibres Group AB and is the smallest and largest group to consolidate these financial statements. Duroc AB (publ) is listed on Nasdaq OMX Stockholm, small cap. Copies of the Group financial statements for Duroc AB (publ) may be obtained from Bolagsverket, 851 81 Sundsvall, Sweden.

Gyllenhammar Holding AB, a company incorporated and registered in Sweden, is the ultimate holding company. Copies of consolidated financial statements for Gyllenhammar Holding AB may be obtained from Bolagsverket, 851 81 Sundsvall, Sweden. P J P V Gyllenhammar is the ultimate controlling party of all companies noted above at the date of signing of the financial statements.

### **23. Post balance sheet events**

On 23<sup>rd</sup> July 2021 a dividend of £1,200,000 was proposed, declared and paid.