

**LENZING FIBERS GRIMSBY LIMITED**

**Annual Report and Financial Statements**

**31 December 2019**



# **LENZING FIBERS GRIMSBY LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2019**

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# **LENZING FIBERS GRIMSBY LIMITED**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS 2019**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

J Turrell  
A Dodds  
P Munson

#### **SECRETARY**

J Turrell

#### **REGISTERED OFFICE**

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

31 December 2019

### 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.

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

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 are in line with the company's business plan. The directors believe the future prospects of the company to be encouraging.

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 2019 and 2018 are as follows:

	2019	2018
Turnover (£'000)	103,368	95,003
Gross profit (£'000)	36,850	29,193
Profit/(loss) before tax (£'000)	29,858	20,758
Number of lost time accidents	1	-

The Company's performance in 2019 compared to 2018 improved with increasing revenues due to increased output volumes, improved product mix, higher sales prices and also lower energy costs. Demand for products remained strong throughout 2019 and sales of speciality fibers increased. The balance sheet on page 10 of the financial statements shows the company's financial position.

### RESEARCH AND DEVELOPMENT

The company continues to invest in research and development. This has resulted in a number of new product trials which if launched are expected to make significant contributions to the growth of the business. The Directors regard investment in this area as 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

# LENZING FIBERS GRIMSBY LIMITED

## STRATEGIC REPORT 31 December 2019

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.

The effects of Brexit as yet remain unknown but the company is aware of the potential risks of trade tariffs. As demand for the company's products remains extremely strong the negative effects of export trade tariffs is perceived to be relatively small. Whilst import trade tariffs would increase cost, the strong business performance forecasted means this would also be low impact. The company has applied for transitional simplified procedures regarding the import of goods from the EU. The company perceives there to be minimal risk regarding any workforce implications.

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



Jemma Turrell

Director

02 March 2020

# **LENZING FIBERS GRIMSBY LIMITED**

## **DIRECTORS' REPORT**

**31 December 2019**

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 2019.

### **RESULTS AND DIVIDENDS**

The company's profit for the year after taxation was £24,212k (2018: £17,126k). The profit has been transferred to reserves. The profit after tax in 2019 is greater than in 2018 profit after tax as a result of strong sales performance and reduced energy prices. A dividend of £20,000k to be paid on the 02 March 2020 has been proposed. (A dividend of £13,000k was paid on 21 February 2019 from 2018's reserves).

### **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.

### **DIRECTORS**

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

Jemma Louise Turrell;

Adrian Charles Francis Dodds; and

Philip Munson.

### **REGISTERED OFFICE ADDRESS**

The company's registered office address is:-

Energy Park Way

Grimsby

DN31 2TT

UK

### **AUDITOR**

KPMG LLP was appointed as auditor of the Company with effect from 11 May 2017. KPMG LLP has agreed to remain in office in accordance with section 487(2) of the Companies Act 2006.

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.

**LENZING FIBERS GRIMSBY LIMITED**

**DIRECTORS' REPORT**  
**31 December 2019**

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

A handwritten signature in black ink, appearing to read 'Jemma Turrell', written in a cursive style.

Jemma Turrell

Director

02 March 2020

## **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*.<sup>2</sup>

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 2019 which comprise the profit and loss account, statement of other comprehensive income, balance sheet, 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 2019 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.

### The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and its effects are subject to unprecedented levels of uncertainty of consequences, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

### 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").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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 absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

### 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

3 March 2020

# LENZING FIBERS GRIMSBY LIMITED

## PROFIT AND LOSS ACCOUNT Year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Turnover	4	103,368	95,003
Cost of sales		<u>(66,518)</u>	<u>(65,810)</u>
<b>GROSS PROFIT</b>		36,850	29,193
Other income	6	1,702	2,108
Administrative expenses		<u>(8,750)</u>	<u>(10,582)</u>
<b>OPERATING PROFIT</b>	6	29,802	20,719
Interest receivable and similar income	8	68	39
Interest payable	9	<u>(12)</u>	<u>-</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<u>29,858</u>	<u>20,758</u>
Tax on profit on ordinary activities	10	<u>(5,646)</u>	<u>(3,632)</u>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<u>24,212</u>	<u>17,126</u>

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

	2019 £'000	2018 £'000
Profit for the financial year	24,212	17,126
Total recognised gains and losses relating to the year	<u>24,212</u>	<u>17,126</u>

The accompanying notes form part of the financial statements.

# LENZING FIBERS GRIMSBY LIMITED

## BALANCE SHEET 31 December 2019

	Note	2019 £'000	2018 £'000
<b>NON CURRENT ASSETS</b>			
Tangible assets	11,12	25,678	22,805
<b>CURRENT ASSETS</b>			
Stocks	13	12,749	13,754
Debtors	14	21,872	20,933
Cash at bank and in hand		31,156	22,363
		<u>65,777</u>	<u>57,050</u>
<b>CREDITORS: Amounts falling due within one year</b>	15	(10,826)	(11,366)
<b>NET CURRENT ASSETS</b>		<u>54,951</u>	<u>45,684</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		80,629	68,489
<b>CREDITORS: Amounts falling due after more than one year</b>	15	(469)	(222)
<b>PROVISIONS</b>	16	(1,937)	(1,251)
<b>NET ASSETS</b>		<u>78,223</u>	<u>67,016</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	-	-
Profit and loss account		34,460	23,253
Capital contribution		43,763	43,763
<b>SHAREHOLDERS' FUNDS</b>		<u>78,223</u>	<u>67,016</u>

The financial statements for Lenzing Fibers Grimsby Limited (registered number 5709148) were approved by the Board of Directors and authorised for issue on 02 March 2020. 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 31 December 2019

	Share capital £'000	Capital contribution £'000	Profit and loss account £'000	Total £'000
<b>Balance at 31 December 2017</b>	-	43,763	18,127	61,890
Profit for the period	-	-	17,126	17,126
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	-	-	17,126	17,126
<b>Transactions with owners</b>				
Dividend	-	-	(12,000)	(12,000)
<b>Balance at 31 December 2018</b>	-	43,763	23,253	67,016
<b>Balance at 1 January 2019 as previously reported</b>	-	43,763	23,253	67,016
Impact of change in accounting policy	-	-	(5)	(5)
<b>Adjusted balance at 1 January 2019</b>	-	43,763	23,248	67,011
Profit for the period	-	-	24,212	24,212
<b>Total comprehensive income for the period</b>	-	-	24,212	24,212
<b>Transactions with owners</b>				
Dividend	-	-	(13,000)	(13,000)
<b>Balance at 31 December 2019</b>	-	43,763	34,460	78,223

The accompanying notes form part of the financial statements.

# LENZING FIBERS GRIMSBY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 December 2019

### 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 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 Financial Reporting Standards as adopted by the EU ("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.

The Company has applied IFRS 16 using the modified retrospective with cumulative effect method – i.e. by recognising the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of equity at 1 January 2019. Therefore, the comparative information has not been restated and continues to be reported under IAS 17. The disclosure requirements in IFRS 16 have not been applied to comparative information. The details of the changes and quantitative impact are set out in note 2, note 11 and note 12.

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. The Company has taken advantage of the exemption of retrospective application on transition to IFRS 9 and comparative information has not therefore been restated. The impact on transition was a £5k adjustment to opening retained earnings.

### 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 directors, in their consideration of going concern, have reviewed the Company's future cash flow forecasts and revenue projections, which they believe are based on reasonable market data and past experience.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of no less than 12 months from the date of signing the accounts. For this reason they continue to adopt the going concern basis in preparing the financial statements.

# LENZING FIBERS GRIMSBY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 December 2019

### 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 stores are excluded from stock. Provisions are charged on engineering stores 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.

# LENZING FIBERS GRIMSBY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 December 2019

### 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.



# LENZING FIBERS GRIMSBY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 December 2019

### 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

##### *Definition of a lease*

Previously the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4: Determining whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in note 12. On transition, the Company has reassessed all contracts to assess whether they contain a lease based upon this definition.

##### *As a lessee*

The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Only finance leases were then recognised on the balance sheet.

Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

##### *Leases classified as operating leases under IAS 17*

On transition, for operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 January 2019. The weighted-average rate applied is 2.7%.

Right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the Company applied this approach to all other leases.

The Company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular these were:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- used hindsight when determining the lease term.

*No leases were classified as finance leases under IAS 1734 (c) as a lessor*

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**Year ended 31 December 2019**

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

**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.

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

# LENZING FIBERS GRIMSBY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 December 2019

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 remeasurement 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. 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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**Year ended 31 December 2019**

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

*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
- 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 remeasurement 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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**Year ended 31 December 2019**

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

*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 remeasured 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.

IFRS 9 is applied to reflect the cost of hedging.

**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.

**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.

*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

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

**Year ended 31 December 2019**

**3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)**

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 2019

### 4. TURNOVER

The geographical analysis of turnover by class and geographical market is as follows:	2019	2018
	£'000	£'000
<b>Sale of man-made fibres</b>		
United Kingdom	7,811	6,348
Europe	13,792	10,878
Asia	77,370	73,368
Rest of World	4,395	4,409
	<u>103,368</u>	<u>95,003</u>
<b>Total turnover</b>	<u>103,368</u>	<u>95,003</u>

### 5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2019	2018
	Number	Number
<b>Average monthly number of persons employed:</b>		
Production	156	152
Selling and distribution	11	10
Administration	28	24
	<u>195</u>	<u>186</u>
	<u>£'000</u>	<u>£'000</u>
<b>Staff costs during the year:</b>		
Wages and salaries	9,824	8,969
Social security costs	1,148	1,029
Other pension costs	1,023	978
	<u>11,995</u>	<u>10,976</u>

The aggregate amount of emoluments paid to directors (excluding pension contributions) in respect of qualifying services was £418k (2018: £405k). Total contributions of £35k (2018: £45k) were also paid in respect of money purchase pension schemes for directors.

The emoluments of the highest paid director were £163k (2018: £165k). During the year the company made contributions of £13k (2018: £13k) 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 2019

### 6. OPERATING PROFIT

<b>Operating profit has been derived after charging/(crediting):</b>	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Depreciation of tangible fixed assets	2,089	1,980
Depreciation of right of use assets	133	-
Operating lease rentals:		
Plant and machinery	66	114
Other	991	841
Research and development costs	1,035	1,715
Net foreign exchange losses/(gains)	992	293
Income from sales of scrap	(47)	(15)
Income from staff secondments to group companies	(1,649)	(2,093)

### 7. AUDITOR'S REMUNERATION

Fees payable to KPMG LLP and their associates for the audit of the Company's annual accounts were £53,800 in 2019.

Fees payable to KPMG LLP and their associates for the audit of the Company's annual accounts were £52,700 in 2018.

Fees payable to KPMG LLP and their associates for non-audit services to the Company were £nil in 2018 and 2019.

### 8. INTEREST RECEIVABLE AND SIMILAR INCOME

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Bank interest receivable	68	39

### 9. INTEREST EXPENSE

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Interest on finance leases	12	-



# LENZING FIBERS GRIMSBY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 December 2019

### 10. TAX ON PROFIT ON ORDINARY ACTIVITIES

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

	2019 £'000	2018 £'000
<b>Current tax</b>		
United Kingdom corporation tax on the profit for the year	4,926	3,779
Adjustment in respect of prior periods	32	(134)
	<u>4,958</u>	<u>3,645</u>
<b>Deferred tax</b>		
Current year	694	(9)
Adjustments in respect of prior periods	(6)	(4)
	<u>688</u>	<u>(13)</u>
<b>Total tax charge on profit on ordinary activities</b>	<u><u>5,646</u></u>	<u><u>3,632</u></u>

#### Other comprehensive income items

Deferred tax current year credit	(2)	-
----------------------------------	-----	---

#### 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:

	2019 £'000	2018 £'000
Profit on ordinary activities before tax	29,858	20,758
Tax at the standard rate of 19.00% (2018: 19.25%)	5,673	3,944
<b>Effect of:</b>		
Adjustment to tax charge in respect of prior periods	26	(138)
Expenses not deductible for tax purposes	2	3
Income not taxable	(12)	(11)
Patent box deduction	-	(150)
Tax rate changes	(53)	(25)
Effect of non-qualifying depreciation	10	9
	<u>5,646</u>	<u>3,632</u>
<b>Tax charge for the period</b>	<u><u>5,646</u></u>	<u><u>3,632</u></u>

Reductions in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) were substantively enacted on 16 September 2016. The deferred tax liability at 31 December 2019 has been calculated based on these rates.

# LENZING FIBERS GRIMSBY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 December 2019

### 11. TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Plant and machinery £'000	Fixtures, Fittings and equipment £'000	Assets under construction £'000	Total £'000
<b>Cost</b>					
At 1 January 2019	2,485	34,547	1,831	3,232	42,095
Additions	-	2,415	128	2,419	4,962
Disposals	-	(5,212)	(15)	-	(5,227)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2019	2,485	31,750	1,944	5,651	41,830
<b>Accumulated depreciation</b>					
At 1 January 2019	2,103	16,274	913	-	19,290
Charge for the year	21	1,887	181	-	2,089
Disposals	-	(5,212)	(15)	-	(5,227)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2019	2,124	12,949	1,079	-	16,152
<b>Net book value</b>					
At 31 December 2019	<hr/> <hr/> 361	<hr/> <hr/> 18,801	<hr/> <hr/> 865	<hr/> <hr/> 5,651	<hr/> <hr/> 25,678
At 31 December 2018	<hr/> <hr/> 382	<hr/> <hr/> 18,273	<hr/> <hr/> 918	<hr/> <hr/> 3,232	<hr/> <hr/> 22,805

At year end, plant and machinery includes right of use assets of £461k. Depreciation of £131k 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.

### 12. LEASE ARRANGEMENTS

When measuring the lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 2,7%.

# LENZING FIBERS GRIMSBY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 December 2019

### 12. LEASE ARRANGEMENTS (Continued)

The following table summarises the difference between the operating lease commitments disclosed under IAS 17 at 31 December 2018 in the Company's financial statements and the lease liabilities recognised at 1 January 2019:

	1 January 2019	
	£000	
Operating lease commitments at 31 December 2018 as disclosed under IAS 17	598	
Discounted using the incremental borrowing rate at 1 January 2019	585	
Finance lease liabilities recognised as at 31 December 2018	0	
Recognition exemption for leases of low-value assets	(2)	
Recognition exemption for leases with less than 12 months of lease term at transition	(488)	
Extension options reasonably certain to be exercised	134	
<b>Lease liabilities recognised as at 1 January 2019</b>	<b>229</b>	
	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Lease payments under operating leases recognised as an expense in the year	<u>1,057</u>	<u>955</u>

At 31 December 2019, the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land and buildings 2019 £'000	Other 2019 £'000	Land and buildings 2018 £'000	Other 2018 £'000
Within one year	20	6	495	43
Within two to five years	-	-	-	61
Greater than five years	-	-	-	-
	<u>20</u>	<u>6</u>	<u>495</u>	<u>104</u>

# LENZING FIBERS GRIMSBY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 December 2019

### 13. STOCKS

	2019 £'000	2018 £'000
Raw materials	7,517	8,682
Finished goods	5,232	5,072
	<u>12,749</u>	<u>13,754</u>

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 £36,571k (2018: £34,206k). The write-down of stocks to net realisable value amounted to £313k (2018: £9k). The reversal of write-downs amounted to £16k as discussed below (2018: £270k). 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

	2019 £'000	2018 £'000
<b>Amounts falling due within one year:</b>		
Trade debtors	6,562	6,867
Amounts owed by group undertakings	13,596	12,726
Prepayments	324	364
VAT recoverable	240	959
Derivative assets	1,066	10
Other receivables	84	7
	<u>21,872</u>	<u>20,933</u>
<b>Amounts falling due after one year:</b>	<u>-</u>	<u>-</u>
<b>Total debtors</b>	<u>21,872</u>	<u>20,933</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 2019

### 15. CREDITORS

	2019 £'000	2018 £'000
<b>Amounts falling due within one year:</b>		
Trade creditors	3,228	1,654
Amounts due to group undertakings	2,503	3,587
Corporation tax payable	2,235	1,852
Other taxation and social security	318	281
Derivative liabilities	42	935
Accruals and deferred income	2,359	3,057
Finance lease liabilities	141	-
	<u>10,826</u>	<u>11,366</u>
	2018 £'000	2018 £'000
<b>Amounts falling due after one year:</b>		
Derivative liabilities	130	222
Finance lease liabilities	339	-
	<u>469</u>	<u>222</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 17% (2018: 17%) are set out below:

	2019 £'000	2018 £'000
At 1 January	1,251	1,264
Charge/(credit) to the income statement	694	(9)
Charge/(credit) to other comprehensive income	(2)	-
Adjustment in respect of prior year	(6)	(4)
	<u>1,937</u>	<u>1,251</u>
At 31 December		

# LENZING FIBERS GRIMSBY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 December 2019

### 16. DEFERRED TAXATION (Continued)

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

	Provided 2019 £'000	Not provided 2019 £'000	Provided 2018 £'000	Not provided 2018 £'000
Accelerated capital allowances	1,829	-	1,512	-
Short term timing differences	(44)	-	(43)	-
Derivative contracts transition adjustment	152	-	(218)	-
	<u>1,937</u>	<u>-</u>	<u>1,251</u>	<u>-</u>

### 17. CALLED UP SHARE CAPITAL

	2019 £	2018 £
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

Proposed final dividend for the year ended 31 December 2019 of £20,000,000. A dividend of £13,000,000 was proposed and paid in 2019 for the year ended 31 December 2018.

### 19. CAPITAL COMMITMENTS

At 31 December 2019, capital expenditure contracted for but not provided for amounted to £1,380k (2018: £1,087k).

### 20. PENSIONS

The company has a defined contribution Group Personal Pension Plan administered by Legal & General. The contributions of the company to this scheme vary according to the level of contribution of the member. The pension costs of the company under this plan in 2019 were £1,023k (2018: £978k). At 31 December 2019, contributions due to the plan but not paid were £132k (2018: £124k). These contributions were paid over to the plan in January 2020.

### 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.

# LENZING FIBERS GRIMSBY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 December 2019

### 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.

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.