

Company Registration No. SC088385 (Scotland)

**DALTON GROUP LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2020**

# DALTON GROUP LIMITED

## COMPANY INFORMATION

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<b>Director</b>	S Dalton (Jnr)
<b>Company number</b>	SC088385
<b>Registered office</b>	15 Youngs Road East Mains Industrial Estate Broxburn Near Edinburgh United Kingdom EH52 5LY
<b>Auditor</b>	Azets Audit Services Titanium 1 King's Inch Place Renfrew Renfrewshire United Kingdom PA4 8WF
<b>Solicitors</b>	Ennova Law LLP 26 George Square Edinburgh EH8 9LD

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# DALTON GROUP LIMITED

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# **DALTON GROUP LIMITED**

## **STRATEGIC REPORT**

### ***FOR THE YEAR ENDED 31 AUGUST 2020***

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The director presents the strategic report for the year ended 31 August 2020.

#### **Fair review of the business**

Dalton Group Limited is a scrap metal merchant operating out of three depots across the central belt of Scotland.

The results for the company show an operating profit of £1,803,753 (2019 - £69,981) for the year with turnover of £13.4m (2019 - £14.9m).

The company's profitability is heavily dependant on the underlying price and demand for metals. With continued investment in the plant and tight controls on costs and margins, the company has managed to achieved growth in operating profit despite a reduction in turnover in what has been a difficult year, largely as a result of the COVID-19 pandemic. With continued investment in plant and machinery at depots, the directors are confident they can capitalise once the market recovers.

The directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance and position of the business, given the straightforward nature of its operations.

At the year end the company continued to maintain a strong balance sheet with net assets amounting to £3,108.015 (2019 - £1,814,779).

#### **Principal risks and uncertainties**

The key business risks affecting the company are as follows:-

- Fluctuations in raw material prices
- Movements in exchange rates
- Brexit
- Demand for metal in the UK and worldwide market

The directors have in place a risk management system which aims to manage and reduce the above risks to which the company is exposed.

#### **COVID-19**

Following the global outbreak of the Covid-19 virus during the year under review, there has been a significant increase in risk and uncertainty in the economy.

The Covid-19 pandemic and subsequent Government enforced lockdown towards the end of March 2020 presented unprecedented challenges on the economy but our depots were authorised to work throughout both government forced lockdowns though we had a significant plant breakdown at this time.

During this time, the company took advantage of Government support measures where available and managed its working capital and cash flow closely to ensure it maintained sufficient financial resources at all times.

The company is following Government guidance concerning all aspects of the pandemic to ensure best practice precautions are applied and risk to staff is mitigated. The company continues to communicate regularly with its staff, its suppliers, and customers as Government advice develops.

#### **Future outlook**

Whilst it is too early to predict the long term impact of Covid-19 on the scrap metal sector, the company continues to build up stocks reserves and identify new customers to ensure adequate cash reserves are maintained.

Overall, we believe the company is well placed to meet the unprecedented challenges presented by Covid-19 and we remain positive about the future outlook for the Company.

# DALTON GROUP LIMITED

## STRATEGIC REPORT (CONTINUED)

***FOR THE YEAR ENDED 31 AUGUST 2020***

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### **Financial instruments**

#### *Objectives*

Our financial risk management objectives are to ensure there is sufficient working capital and cash flow to meet the operating needs of the company and to ensure there is sufficient support for its growth strategy. This is achieved through careful management of our cash resources and utilisation of finance leases to improve the quality and efficiency of plant. No treasury transactions of derivatives are entered into.

#### *Risks*

The company trades with entities based in the UK and sells significant volumes to buyers in the Far East. As a result, the entity is exposed to credit risk and forex risk. The company mitigates this risk by seeking payment in advance of shipping goods where appropriate.

On behalf of the board

S Dalton (Jnr)

**Director**

31 August 2021

# DALTON GROUP LIMITED

## DIRECTOR'S REPORT

### *FOR THE YEAR ENDED 31 AUGUST 2020*

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The director presents his annual report and financial statements for the year ended 31 August 2020.

#### **Principal activities**

The principal activity of the company continued to be that of scrap metal merchanting.

#### **Results and dividends**

The results for the year are set out on page 8.

Ordinary dividends were paid amounting to £168,554. The director does not recommend payment of a final dividend.

#### **Director**

The director who held office during the year and up to the date of signature of the financial statements was as follows:

S Dalton (Jnr)

S Dalton (Snr)

(Resigned 30 April 2020)

#### **Auditor**

The auditor, Azets Audit Services, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

#### **Strategic report**

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of financial instruments and associated risks.

#### **Statement of disclosure to auditor**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

S Dalton (Jnr)

**Director**

31 August 2021

# **DALTON GROUP LIMITED**

## **DIRECTOR'S RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 AUGUST 2020**

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The director is responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director must not approve the financial statements unless he is 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 director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is 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. He is 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.

# DALTON GROUP LIMITED

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF DALTON GROUP LIMITED

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#### Opinion

We have audited the financial statements of Dalton Group Limited (the 'company') for the year ended 31 August 2020 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

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

- the director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the director has 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.

#### Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The director is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the director's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the director's report have been prepared in accordance with applicable legal requirements.



# **DALTON GROUP LIMITED**

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF DALTON GROUP LIMITED**

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the director's report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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 director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of director**

As explained more fully in the director's responsibilities statement, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the director determines 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 director is 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 director either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

# **DALTON GROUP LIMITED**

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF DALTON GROUP LIMITED**

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### **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to him 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.

**Donald Boyd (Senior Statutory Auditor)**  
**For and on behalf of Azets Audit Services**

31 August 2021

**Chartered Accountants**  
**Statutory Auditor**

Titanium 1  
King's Inch Place  
Renfrew  
Renfrewshire  
United Kingdom  
PA4 8WF

# DALTON GROUP LIMITED

## PROFIT AND LOSS ACCOUNT

**FOR THE YEAR ENDED 31 AUGUST 2020**

	Notes	2020 £	2019 £
<b>Turnover</b>	<b>3</b>	13,439,605	14,896,869
Cost of sales		(9,655,972)	(11,856,779)
<b>Gross profit</b>		<u>3,783,633</u>	<u>3,040,090</u>
Administrative expenses		(3,375,987)	(2,970,109)
Other operating income		1,396,107	-
<b>Operating profit</b>	<b>4</b>	<u>1,803,753</u>	<u>69,981</u>
Interest receivable and similar income	<b>6</b>	2,005	1,786
Interest payable and similar expenses	<b>7</b>	(101,684)	(78,859)
<b>Profit/(loss) before taxation</b>		<u>1,704,074</u>	<u>(7,092)</u>
Tax on profit/(loss)	<b>8</b>	(242,284)	(121,025)
<b>Profit/(loss) for the financial year</b>		<u><u>1,461,790</u></u>	<u><u>(128,117)</u></u>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

# DALTON GROUP LIMITED

## STATEMENT OF COMPREHENSIVE INCOME *FOR THE YEAR ENDED 31 AUGUST 2020*

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	2020 £	2019 £
Profit/(loss) for the year	1,461,790	(128,117)
Other comprehensive income	-	-
Total comprehensive income for the year	<u>1,461,790</u>	<u>(128,117)</u>

# DALTON GROUP LIMITED

## BALANCE SHEET

**AS AT 31 AUGUST 2020**

	Notes	2020 £	£	2019 £	£
<b>Fixed assets</b>					
Tangible assets	10		6,690,550		6,641,583
<b>Current assets</b>					
Stocks	11	648,522		828,566	
Debtors	12	2,538,831		1,183,971	
Cash at bank and in hand		1,195,929		489,689	
		<u>4,383,282</u>		<u>2,502,226</u>	
<b>Creditors: amounts falling due within one year</b>	13	<u>(4,057,973)</u>		<u>(3,845,555)</u>	
<b>Net current assets/(liabilities)</b>			325,309		(1,343,329)
<b>Total assets less current liabilities</b>			<u>7,015,859</u>		<u>5,298,254</u>
<b>Creditors: amounts falling due after more than one year</b>	14		(3,391,934)		(3,116,883)
<b>Provisions for liabilities</b>					
Deferred tax liability	16	515,910		366,592	
		<u>(515,910)</u>		<u>(366,592)</u>	
<b>Net assets</b>			<u>3,108,015</u>		<u>1,814,779</u>
<b>Capital and reserves</b>					
Called up share capital	18		10,000		10,000
Profit and loss reserves	19		3,098,015		1,804,779
<b>Total equity</b>			<u>3,108,015</u>		<u>1,814,779</u>

The financial statements were approved by the board of directors and authorised for issue on 31 August 2021 and are signed on its behalf by:

S Dalton (Jnr)  
**Director**

**Company Registration No. SC088385**

# DALTON GROUP LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 AUGUST 2020

	Notes	Share capital £	Profit and loss reserves £	Total £
<b>Balance at 1 September 2018</b>		10,000	2,126,389	2,136,389
<b>Year ended 31 August 2019:</b>				
Loss and total comprehensive income for the year		-	(128,117)	(128,117)
Dividends	9	-	(193,493)	(193,493)
<b>Balance at 31 August 2019</b>		10,000	1,804,779	1,814,779
<b>Year ended 31 August 2020:</b>				
Profit and total comprehensive income for the year		-	1,461,790	1,461,790
Dividends	9	-	(168,554)	(168,554)
<b>Balance at 31 August 2020</b>		10,000	3,098,015	3,108,015

# DALTON GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2020

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### 1 Accounting policies

#### Company information

Dalton Group Limited is a private company limited by shares incorporated in Scotland. The registered office is 15 Youngs Road, East Mains Industrial Estate, Broxburn, Near Edinburgh, United Kingdom, EH52 5LY.

#### 1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

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

The financial statements of the company are consolidated in the financial statements of Dalton Metal Recycling Limited. These consolidated financial statements are available from its registered office, Dalton House, 15 Youngs Road, East Mains Industrial Estate, Broxburn, Near Edinburgh, EH52 5LY.

# DALTON GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

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### 1 Accounting policies

(Continued)

#### 1.2 Going concern

The director is required to prepare the statutory financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business. In satisfaction of this responsibility the director has considered the company's ability to meet its liabilities as they fall due.

The company meets its day to day working capital requirements utilising cash reserves and finance leases. Management information tools including budgets and cash flow forecasts are used to monitor and manage current and future liquidity.

Despite the ongoing impact of COVID-19, the company has posted strong results in the year under review. The company's profitability is heavily dependent on the underlying price and demand for metals. With continued investment in the plant and tight controls on costs and margins, the company has managed to achieved growth in operating profit despite a reduction in turnover in what has been a difficult year. With continued investment in plant and machinery at depots, the director is confident the company can capitalise once the market recovers. The directors acknowledges this could change suddenly depending on how the situation evolves but is confident in the company's ability to react and adapt to future events.

The director is confident that the existing funding facilities and cash reserves will provide sufficient headroom to meet the forecast cash requirements having considered any additional requirements arising in relation to the COVID-19 pandemic.

As such, the director considers that it is appropriate to prepare the financial statements on the going concern basis.

#### 1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Income from insurance claims is recognised when it is virtually certain that the entity will received such reimbursement. Where the recovery is virtually certain, management make a prudent estimate of the amount recoverable. These amounts are included within other operating income and other debtors.



# DALTON GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

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### 1 Accounting policies

(Continued)

#### 1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	Not depreciated
Plant & machinery	5% - 20% on cost
Fixtures and fittings	20% on cost
Motor vehicles	20% on cost

Assets in the course of construction are stated at cost. These assets are not depreciated until they are available for use.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

#### 1.5 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

#### 1.6 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

#### 1.7 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

#### 1.8 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

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

# DALTON GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

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### 1 Accounting policies

(Continued)

#### **Basic financial assets**

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

#### **Other financial assets**

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

#### **Impairment of financial assets**

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end 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 have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

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

#### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

#### **Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

# DALTON GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

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### 1 Accounting policies

(Continued)

#### **Basic financial liabilities**

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

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

#### **Other financial liabilities**

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

#### **Derecognition of financial liabilities**

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

### 1.9 Equity instruments

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

### 1.10 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 reporting end date.

# DALTON GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

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### 1 Accounting policies

(Continued)

#### **Deferred tax**

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end 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. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

#### **1.11 Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

#### **1.12 Retirement benefits**

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

#### **1.13 Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

#### **1.14 Government grants**

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

# DALTON GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

### 1 Accounting policies

(Continued)

#### 1.15 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

### 2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the director is required to make judgements, estimates and assumptions about the carrying amount 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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

#### Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

#### Impairment provisions against stock

Stock is carried at the lower of cost and net realisable value. Calculation of the net realisable value requires management to use estimates regarding future selling prices and other projections which includes a degree of uncertainty.

### 3 Turnover and other revenue

	2020 £	2019 £
<b>Other significant revenue</b>		
Interest income	2,005	1,786
Income from insurance claims	1,396,107	-
	<u>          </u>	<u>          </u>

### 4 Operating profit

	2020 £	2019 £
Operating profit for the year is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	-	687
Fees payable to the company's auditor for the audit of the company's financial statements	11,500	11,500
Depreciation of owned tangible fixed assets	310,408	316,231
Depreciation of tangible fixed assets held under finance leases	444,180	185,479
Profit on disposal of tangible fixed assets	-	(44,000)
Operating lease charges	139,573	204,919
	<u>          </u>	<u>          </u>

# DALTON GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

### 5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2020 Number	2019 Number
Staff	46	46

Their aggregate remuneration comprised:

	2020 £	2019 £
Wages and salaries	991,999	1,025,270
Social security costs	87,011	92,709
Pension costs	21,415	19,329
	1,100,425	1,137,308

### 6 Interest receivable and similar income

	2020 £	2019 £
<b>Interest income</b>		
Interest on bank deposits	2,005	1,786

### 7 Interest payable and similar expenses

	2020 £	2019 £
Interest on bank overdrafts and loans	-	2,257
Interest on finance leases and hire purchase contracts	101,684	76,602
	101,684	78,859

### 8 Taxation

	2020 £	2019 £
<b>Current tax</b>		
UK corporation tax on profits for the current period	92,966	-
Adjustments in respect of prior periods	-	(64,746)
Total current tax	92,966	(64,746)

# DALTON GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

### 8 Taxation

(Continued)

	2020 £	2019 £
<b>Deferred tax</b>		
Origination and reversal of timing differences	149,318	185,771
	<u>          </u>	<u>          </u>
Total tax charge	242,284	121,025
	<u>          </u>	<u>          </u>

The actual charge for the year can be reconciled to the expected charge/(credit) for the year based on the profit or loss and the standard rate of tax as follows:

	2020 £	2019 £
Profit/(loss) before taxation	1,704,074	(7,092)
	<u>          </u>	<u>          </u>
Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	323,774	(1,347)
Tax effect of expenses that are not deductible in determining taxable profit	343	298
Adjustments in respect of prior years	(745)	-
Group relief	-	2,299
Other permanent differences	-	19
Adjust deferred tax to average rate	-	(8,789)
Deferred tax not recognised	(111,063)	111,923
Fixed asset differences	-	16,622
Remeasurement of deferred tax for changes in rate	29,975	-
	<u>          </u>	<u>          </u>
Taxation charge for the year	242,284	121,025
	<u>          </u>	<u>          </u>

### 9 Dividends

	2020 £	2019 £
Interim paid	168,554	193,493
	<u>          </u>	<u>          </u>

# DALTON GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

### 10 Tangible fixed assets

	Leasehold improvements £	Assets under construction £	Plant & machinery £	Fixtures and fittings £	Motor vehicles £	Total £
<b>Cost</b>						
At 1 September 2019	264,575	3,055,996	5,809,225	75,563	605,206	9,810,565
Additions	-	-	780,222	-	23,333	803,555
Transfers	-	(3,055,996)	3,055,996	-	-	-
At 31 August 2020	264,575	-	9,645,443	75,563	628,539	10,614,120
<b>Depreciation and impairment</b>						
At 1 September 2019	-	-	2,753,755	62,952	352,275	3,168,982
Depreciation charged in the year	-	-	684,662	5,746	64,180	754,588
At 31 August 2020	-	-	3,438,417	68,698	416,455	3,923,570
<b>Carrying amount</b>						
At 31 August 2020	264,575	-	6,207,026	6,865	212,084	6,690,550
At 31 August 2019	264,575	3,055,996	3,055,470	12,611	252,931	6,641,583

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	2020 £	2019 £
Plant & machinery	4,351,668	4,162,524
Motor vehicles	73,986	93,716
	4,425,654	4,256,240

### 11 Stocks

	2020 £	2019 £
Raw materials and consumables	648,522	828,566



# DALTON GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

### 12 Debtors

	2020	2019
	£	£
<b>Amounts falling due within one year:</b>		
Trade debtors	703,216	604,983
Corporation tax recoverable	-	64,746
Amounts owed by related parties	261,811	176,391
Other debtors	1,396,107	133,544
Prepayments and accrued income	177,697	204,307
	<u>2,538,831</u>	<u>1,183,971</u>

### 13 Creditors: amounts falling due within one year

	Notes	2020	2019
		£	£
Obligations under finance leases	15	553,205	507,839
Trade creditors		2,002,941	1,660,247
Amounts owed to group undertakings		976,654	982,798
Corporation tax		28,220	-
Other taxation and social security		56,135	24,043
Dividends payable		4,391	-
Other creditors		318,102	626,065
Accruals and deferred income		118,325	44,563
		<u>4,057,973</u>	<u>3,845,555</u>

### 14 Creditors: amounts falling due after more than one year

	Notes	2020	2019
		£	£
Obligations under finance leases	15	3,391,934	3,116,883

### 15 Finance lease obligations

	2020	2019
	£	£
Future minimum lease payments due under finance leases:		
Within one year	553,205	507,839
In two to five years	1,636,280	1,782,628
In over five years	1,755,654	1,334,255
	<u>3,945,139</u>	<u>3,624,722</u>

# DALTON GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

### 15 Finance lease obligations

(Continued)

Obligations under finance leases represent rentals payable by the company under hire purchase and lease asset purchase agreements for certain items of plant and machinery and motor vehicles. The average remaining lease term is 7 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

Lease asset purchase agreements and hire purchase contracts are secured over the assets to which they relate.

### 16 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2020 £	Liabilities 2019 £
<b>Balances:</b>		
Timing differences	515,910	366,592
	<u>          </u>	<u>          </u>
<b>Movements in the year:</b>		2020 £
Liability at 1 September 2019		366,592
Charge to profit or loss		149,318
		<u>          </u>
Liability at 31 August 2020		515,910
		<u>          </u>

The deferred tax liability set out above is expected to reverse and relates to accelerated capital allowances that are expected to mature within the same period.

### 17 Retirement benefit schemes

	2020 £	2019 £
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	21,415	19,329
	<u>          </u>	<u>          </u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

# DALTON GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

### 18 Share capital

	2020 Number	2019 Number	2020 £	2019 £
<b>Ordinary share capital Issued and fully paid</b>				
Ordinary of £1 each	10,000	10,000	10,000	10,000

The company has one class of share capital. There are no restrictions on the distribution of dividends or the repayment of capital.

### 19 Profit and loss reserves

	2020 £	2019 £
At the beginning of the year	1,804,779	2,126,389
Profit/(loss) for the year	1,461,790	(128,117)
Dividends declared and paid in the year	(164,163)	(193,493)
Dividends declared in the year and unpaid	(4,391)	-
At the end of the year	3,098,015	1,804,779

### 20 Financial commitments, guarantees and contingent liabilities

The company has issued a guarantee to the Royal Bank of Scotland plc for the borrowings of its parent company, Dalton Metal Recycling Limited. This guarantee has a limit of £1,125,000.

The Royal Bank of Scotland plc has a bond and floating charge over all the assets of the company.

### 21 Operating lease commitments

#### Lessee

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

	2020 £	2019 £
Within one year	124,000	220,000

# DALTON GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

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### 22 Related party transactions

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

During the year the company entered into the following transactions with related parties:

#### **Stephen G Dalton & Son**

A partnership in which Mr S G Dalton Jnr is a partner.

During the year Stephen G Dalton & Son Partnership was invoiced for scrap sales totalling £428,860 (2019 - £77,873).

Rent was charged by the Partnership during the year of £124,000 (2019 - £124,000).

At the balance sheet date, the company was due £99,318 from the Partnership (2019 - £89,028).

#### **Dalton Developments Limited**

A company in which Mr S G Dalton Jnr is a director and shareholder.

At the balance sheet date, the company was due £266,425 to Dalton Developments Limited (2019 - £266,425).

#### **DMR Exports Limited**

A company in liquidation which Mr S G Dalton Jnr is a director and shareholder.

During the year DMR Exports Limited was invoiced for scrap sales totalling £284,076.

### 23 Ultimate controlling party

The ultimate parent company is Dalton Metal Recycling Limited which is the largest and smallest group for which consolidated accounts are prepared. The registered office is 15 Youngs Road, East Mains Industrial Estate, Broxburn, Near Edinburgh, EH52 5LY. A copy of the consolidated financial statements can be obtained from Companies House.

