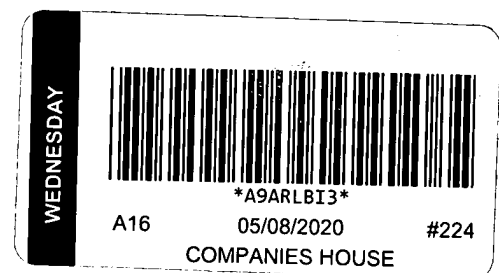


Company Registration No. 01287461 (England and Wales)

**DYFED STEELS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**



# DYFED STEELS LIMITED

## COMPANY INFORMATION

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<b>Director</b>	Mr D W Thomas
<b>Company number</b>	01287461
<b>Registered office</b>	Tube Works Maescanner Road Dafen LLANELLI Carmarthenshire UK SA14 8NS
<b>Auditor</b>	Baldwins Audit Services Ty Derw Lime Tree Court Cardiff Gate Business Park Cardiff CF23 8AB

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# **DYFED STEELS LIMITED**

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# DYFED STEELS LIMITED

## STRATEGIC REPORT

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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The director presents the strategic report for the year ended 31 December 2019.

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

The consolidated statement of comprehensive income for the year is set out on in the annexed financial statements.

The principal activity of the company and group continued to be that of metal stockholders.

The strategy of the business is to increase its share of this market by focussing on strong customer service.

The company and group enjoy a number of competitive advantages including strong brand recognition in its heartland trading region, where it consistently achieves a strong market share; a well established reputation for price competitiveness; a knowledgeable and enthusiastic workforce and a strong customer focus throughout the business.

The director was pleased with the performance of the business during the year.

Turnover increased in FY'19 by £2,093k (3.5%) to £62,338k driven by strong sales activity. The gross margin percentage has remained consistent with the prior year. Administrative expenses increased by £886k (6%) in FY'19 driven primarily by an increase in wage costs.

The balance sheet position remains strong. Significant capital investment has been made in new buildings and machinery during FY'19 which will expand the range of services that the business is able to offer to its customers.

Whilst trading conditions are expected to remain competitive throughout FY'20, the director considers the company to be well positioned to manage and take on this challenge.

Key performance indicators (KPI's) are detailed below.

KPI's	2019	2018
Turnover	£62,338k	£60,245k
Gross Margin	£15,669k	£15,117k
EBITDA	£681k	£1,038k
Operating (loss) / profit	(£91k)	£154k

# DYFED STEELS LIMITED

## STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2019**

### Principal risks and uncertainties

The management of the company and group (together the "Business") and the execution of the corporate strategy are subject to a number of risks.

The key business risks can be summarised as follows:

Risk	Potential impact	Mitigation
Competition	The market in which the company operates is subject to strong competition. The impact of such competition could impact on margins.	The company continues to invest heavily in its range of stock, providing customers with a wide choice of product. This, coupled with a strong focus on customer service, results in a high level of repeat business.
People	The business could be impacted by the loss of key individuals	The business looks to increase staff engagement through (1) regular opportunities to give feedback and to influence future business developments and (2) training and progression opportunities.
Covid-19	In light of the situation arising in the UK and globally in respect of Covid-19 and the measures taken by the UK Government to contain the virus, the day to day operations of the business has been disrupted. The extent of the impact of Covid-19 is unclear and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.	The director has prepared re-forecasts for the year and taken steps to secure additional funding to bridge the period of disruption and to manage the company's cash flow requirements during this period of uncertainty and to enable the company to meet its obligations as they fall due.

### Financial risk management

The business is exposed to a variety of financial risks that include the effects of price risk, credit risk, liquidity risk and interest rate risk. The director seeks to limit the adverse effects on the financial performance of the business by monitoring levels of debt finance and the related finance costs. Given the size of the business, the director has not delegated the responsibility for monitoring financial risk management to a sub committee of the board. The policies set by the Director are implemented by the finance department.

#### Price risk

The business is exposed to commodity price risk as a result of its operations. The director monitors market movements in material prices on a regular basis but does not consider it cost beneficial to undertake any formal hedging arrangements. The business has no exposure to equity securities price risk as it holds no listed or other equity instruments.

#### Credit risk

The business has implemented policies that require appropriate credit checks to be made both on existing and potential customers before sales are made. The amount of exposure to any individual counter party is continually monitored in line with credit control procedures.

#### Liquidity and interest rate risk

The business actively maintains short-term debt finance that is designed to ensure the business has sufficient available funds for operations and planned expansions. The business has interest bearing assets comprising cash amounts, all of which earn interest at variable rates.

**DYFED STEELS LIMITED**

**STRATEGIC REPORT (CONTINUED)**

***FOR THE YEAR ENDED 31 DECEMBER 2019***

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On behalf of the board



Mr D W Thomas

**Director**

28 July 2020

# **DYFED STEELS LIMITED**

## **DIRECTOR'S REPORT**

### ***FOR THE YEAR ENDED 31 DECEMBER 2019***

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The director presents his annual group report and group financial statements for the year ended 31 December 2019.

#### **Principal activities**

The principal activity of the company and group continued to be that of metal stockholders.

#### **Director**

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

Mr D W Thomas

#### **Results and dividends**

The results for the year are set out on page 10.

No ordinary dividends were paid. The director does not recommend payment of a further dividend.

#### **Going Concern**

Subsequent to the period end, as a consequence of the measures taken by the UK Government to manage the impact of Covid-19, the day to day operations of the business has been disrupted. It is difficult to evaluate all of the potential implications of these measures on the company's trade, customers, suppliers and the wider economy. However, based on the information that is currently known, the directors have prepared re-forecasts for the year and taken steps to manage the company's cash flow requirements during this period of uncertainty.

At the time of approving the financial statements therefore, the director has a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis.

#### **Disabled persons**

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the group continues and that the appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

#### **Employee involvement**

The group's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

#### **Auditor**

In accordance with the company's articles, a resolution proposing that Baldwins Audit Services be reappointed as auditor of the group will be put at a General Meeting.

#### **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 auditor of the company 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 auditor of the company is aware of that information.

**DYFED STEELS LIMITED**

**DIRECTOR'S REPORT (CONTINUED)**

***FOR THE YEAR ENDED 31 DECEMBER 2019***

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On behalf of the board



Mr D W Thomas  
**Director**  
28 July 2020



# **DYFED STEELS LIMITED**

## **DIRECTOR'S RESPONSIBILITIES STATEMENT**

***FOR THE YEAR ENDED 31 DECEMBER 2019***

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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 group and company, and of the profit or loss of the group 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# DYFED STEELS LIMITED

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF DYFED STEELS LIMITED

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#### Opinion

We have audited the financial statements of Dyfed Steels Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019 which comprise the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows 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 group's and the parent company's affairs as at 31 December 2019 and of the group's loss 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 group's or the parent 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 director is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

# **DYFED STEELS LIMITED**

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF DYFED STEELS LIMITED**

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### **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.

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

In the light of the knowledge and understanding of the group and the parent 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

### **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 group's and the parent 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 group or the parent 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: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

# DYFED STEELS LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF DYFED STEELS 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 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.

*Baldwins Audit Services*

James Edward Dobson BSc(Hons) FCA (Senior Statutory Auditor)  
for and on behalf of Baldwins Audit Services

28 July 2020

Accountants  
Statutory Auditor

Ty Derw  
Lime Tree Court  
Cardiff Gate Business Park  
CARDIFF  
UK  
CF23 8AB

# DYFED STEELS LIMITED

## GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £'000	2018 £'000
Turnover	3	62,338	60,245
Cost of sales		(46,669)	(45,128)
<b>Gross profit</b>		<b>15,669</b>	<b>15,117</b>
Administrative expenses		(15,884)	(14,998)
Other operating income		124	35
<b>Operating (loss)/profit</b>	4	<b>(91)</b>	<b>154</b>
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>		<b>681</b>	<b>1,038</b>
Depreciation and amortisation		(772)	(884)
<b>Operating (loss)/profit</b>		<b>(91)</b>	<b>154</b>
Interest payable and similar expenses	8	(120)	(101)
<b>(Loss)/profit before taxation</b>		<b>(211)</b>	<b>53</b>
Tax on (loss)/profit	9	40	(51)
<b>(Loss)/profit for the financial year</b>		<b>(171)</b>	<b>2</b>
<b>Other comprehensive income</b>			
Revaluation of tangible fixed assets		481	-
<b>Total comprehensive income for the year</b>		<b>310</b>	<b>2</b>

(Loss)/profit for the financial year is all attributable to the owners of the parent company.

Total comprehensive income for the year is all attributable to the owners of the parent company.

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

# DYFED STEELS LIMITED

## GROUP BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	2019 £'000	2018 £'000
<b>Fixed assets</b>			
Goodwill	10	-	40
Tangible assets	11	12,030	11,268
		12,030	11,308
<b>Current assets</b>			
Stocks	14	13,816	12,007
Debtors	15	12,028	13,305
Cash at bank and in hand		59	-
		25,903	25,312
<b>Creditors: amounts falling due within one year</b>	16	(22,332)	(21,375)
<b>Net current assets</b>		3,571	3,937
<b>Total assets less current liabilities</b>		15,601	15,245
<b>Creditors: amounts falling due after more than one year</b>	17	(3,144)	(3,061)
<b>Provisions for liabilities</b>	20	(204)	(244)
<b>Net assets</b>		12,253	11,940
<b>Capital and reserves</b>			
Called up share capital	23	45	45
Revaluation reserve		3,462	2,981
Profit and loss reserves		8,746	8,914
<b>Total equity</b>		12,253	11,940

The financial statements were approved and signed by the director and authorised for issue on 28 July 2020



Mr D W Thomas  
Director

**DYFED STEELS LIMITED**  
**COMPANY BALANCE SHEET**  
**AS AT 31 DECEMBER 2019**

		2019	2018
	Notes	£'000	£'000
<b>Fixed assets</b>			
Goodwill	10	10	50
Tangible assets	11	12,030	11,268
		12,040	11,318
<b>Current assets</b>			
Stocks	14	13,816	12,007
Debtors	15	12,028	13,305
Cash at bank and in hand		59	-
		25,903	25,312
<b>Creditors: amounts falling due within one year</b>	16	(22,332)	(21,375)
<b>Net current assets</b>		3,571	3,937
<b>Total assets less current liabilities</b>		15,611	15,255
<b>Creditors: amounts falling due after more than one year</b>	17	(3,144)	(3,061)
<b>Provisions for liabilities</b>	20	(204)	(244)
<b>Net assets</b>		12,263	11,950
<b>Capital and reserves</b>			
Called up share capital	23	45	45
Revaluation reserve		3,112	2,631
Profit and loss reserves		9,106	9,274
<b>Total equity</b>		12,263	11,950

As permitted by s408 Companies Act 2006, the Company has not presented its own profit and loss account and related notes. The Company's loss for the year was £171k (2018: £2k profit).

The financial statements were approved and signed by the director and authorised for issue on 28 July 2020



Mr D W Thomas  
Director

Company Registration No. 01287461

# DYFED STEELS LIMITED

## GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital	Revaluation reserve	Profit and loss reserves	Total
	£'000	£'000	£'000	£'000
<b>Balance at 1 January 2018</b>	45	2,981	8,912	11,938
<b>Year ended 31 December 2018:</b>				
Profit and total comprehensive income for the year	-	-	2	2
<b>Balance at 31 December 2018</b>	45	2,981	8,914	11,940
<b>Year ended 31 December 2019:</b>				
Loss for the year	-	-	(171)	(171)
Other comprehensive income:				
Revaluation of tangible fixed assets	-	481	-	481
Total comprehensive income for the year	-	481	(171)	310
<b>Balance at 31 December 2019</b>	45	3,462	8,743	12,250



# DYFED STEELS LIMITED

## COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital	Revaluation reserve	Profit and loss reserves	Total
	£'000	£'000	£'000	£'000
<b>Balance at 1 January 2018</b>	45	2,631	9,272	11,948
<b>Year ended 31 December 2018:</b>				
Profit and total comprehensive income for the year	-	-	2	2
<b>Balance at 31 December 2018</b>	45	2,631	9,274	11,950
<b>Year ended 31 December 2019:</b>				
Loss for the year	-	-	(171)	(171)
Other comprehensive income:				
Revaluation of tangible fixed assets	-	481	-	481
<b>Total comprehensive income for the year</b>	-	481	(171)	310
<b>Balance at 31 December 2019</b>	45	3,112	9,103	12,260

# DYFED STEELS LIMITED

## GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £'000	2018 £'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	27	1,687	2,071
Interest paid		(120)	(101)
Income taxes refunded/(paid)		14	(75)
<b>Net cash inflow from operating activities</b>		<u>1,581</u>	<u>1,895</u>
<b>Investing activities</b>			
Purchase of tangible fixed assets		(1,059)	(2,187)
Proceeds on disposal of tangible fixed assets		74	2
<b>Net cash used in investing activities</b>		<u>(985)</u>	<u>(2,185)</u>
<b>Financing activities</b>			
Repayment of bank loans		(40)	(332)
Payment of finance leases obligations		334	881
<b>Net cash generated from financing activities</b>		<u>294</u>	<u>549</u>
<b>Net increase in cash and cash equivalents</b>		<u>890</u>	<u>259</u>
Cash and cash equivalents at beginning of year		(1,147)	(1,406)
<b>Cash and cash equivalents at end of year</b>		<u>(257)</u>	<u>(1,147)</u>
<b>Relating to:</b>			
Cash at bank and in hand		59	-
Bank overdrafts included in creditors payable within one year		(316)	(1,147)

# DYFED STEELS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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### 1 Accounting policies

#### Company information

Dyfed Steels Limited ("the Company") is a private limited company domiciled and incorporated in England and Wales. The registered office is Tube Works Maescanner Road, Dafen, LLANELLI, Carmarthenshire, UK, SA14 8NS.

The group consists of Dyfed Steels Limited and all of its subsidiaries.

#### 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, modified to include the revaluation of freehold properties and to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

The 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 for parent company information presented within the consolidated financial statements:

- 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': 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 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgement of the process of applying the Group and Company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

As permitted by s408 Companies Act 2006, the Company has not presented its own profit and loss account and related notes. The Company's loss for the year was £171k (2018: £2k profit).

# DYFED STEELS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

---

#### 1 Accounting policies

##### 1.2 Basis of consolidation

The consolidated financial statements incorporate those of Dyfed Steels Limited and all of its subsidiaries (i.e. entities that the Group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes. All financial statements are made up to 31 December 2019.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

##### 1.3 Going concern

The financial statements have been prepared on a going concern basis which assumes the group will continue in operational existence for the foreseeable future. In making this assessment the director has reviewed the balance sheet, the likely future cash flows of the business and has considered the working capital facilities that are in place at the date of signing the report. As at 31 December 2019, the Company has net assets of £12,253k.

Subsequent to the period end, as a consequence of the measures taken by the UK Government to manage the impact of Covid-19, the day to day operations of the business has been disrupted. It is difficult to evaluate all of the potential implications of these measures on the company's trade, customers, suppliers and the wider economy. However, based on the information that is currently known, the director has prepared forecasts and taken steps to manage the group's cash flow requirements during this period of uncertainty.

At the time of approving the financial statements therefore, the director has a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future and therefore continues to adopt the going concern basis.

##### 1.4 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.

##### 1.5 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 10 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

# DYFED STEELS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

---

### 1 Accounting policies

(Continued)

#### 1.6 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:

Freehold land and buildings	2% (straight line) for buildings, land is not depreciated.
Plant and machinery	5-10% (straight line)
Fixtures, fittings & equipment	20-33% (straight line)
Motor vehicles	10-12.5% (straight line)

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 recognised in the profit and loss account.

#### 1.7 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

#### 1.8 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible 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.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

#### 1.9 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

# DYFED STEELS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

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#### 1 Accounting policies

(Continued)

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.

##### 1.10 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand and deposits held at call with banks.

##### 1.11 Financial instruments

The group 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 group's balance sheet when the group becomes party to the contractual provisions of the instrument.

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

##### **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.

##### **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 group 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 group after deducting all of its liabilities.

# DYFED STEELS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

---

#### 1 Accounting policies

(Continued)

Basic financial liabilities, including creditors and bank loans, 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.

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.

#### *Derecognition of financial liabilities*

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

#### 1.12 Equity instruments

Equity instruments issued by the group 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 group.

#### 1.13 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 group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

#### *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 if, and only if, there is 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.

#### 1.14 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.

# **DYFED STEELS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)** **FOR THE YEAR ENDED 31 DECEMBER 2019**

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### **1 Accounting policies**

**(Continued)**

#### **1.15 Retirement benefits**

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

#### **1.16 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 leased asset are consumed.

#### **1.17 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.

#### **1.18 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.



# DYFED STEELS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

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### 2 Judgements and key sources of estimation uncertainty

In the application of the group'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.

#### *Useful economic lives of tangible assets*

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 10 for the carrying amount of the property plant and equipment, and note 1.6 for the useful economic lives for each class of assets.

#### *Impairment of debtors*

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 13 for the net carrying amount of the debtors.

#### *Inventory provisioning*

The group operates as a metal stockholders, and as a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of metal stocks. See note 12 for the net carrying amount of the inventory.

#### *Impairment of intangible assets and goodwill*

The Group considers whether intangible assets and/or goodwill are impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of the recoverable value of the cash generating units (CGUs). This requires estimation of the future cash flows from the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows.

### 3 Turnover and other revenue

An analysis of the group's turnover is as follows:

	2019 £'000	2018 £'000
<b>Turnover analysed by class of business</b>		
Sale of metal	62,338	60,245

# DYFED STEELS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

3 Turnover and other revenue	(Continued)	
	2019 £'000	2018 £'000
<b>Other significant revenue</b>		
Grants received	124	35
	<u>          </u>	<u>          </u>
	2019 £'000	2018 £'000
<b>Turnover analysed by geographical market</b>		
United Kingdom	62,338	60,245
	<u>          </u>	<u>          </u>
<b>4 Operating (loss)/profit</b>	2019 £'000	2018 £'000
Operating (loss)/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	33	(3)
Government grants	(124)	(35)
Depreciation of owned tangible fixed assets	497	615
Depreciation of tangible fixed assets held under finance leases	235	224
Profit on disposal of tangible fixed assets	(28)	(1)
Amortisation of intangible assets	40	45
Operating lease charges	211	209
	<u>          </u>	<u>          </u>
<b>5 Auditor's remuneration</b>	2019 £'000	2018 £'000
Fees payable to the company's auditor and associates:		
<b>For audit services</b>		
Audit of the financial statements of the group and company	31	27
	<u>          </u>	<u>          </u>
<b>For other services</b>		
Taxation compliance services	3	2
All other non-audit services	10	12
	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>

# DYFED STEELS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 6 Employees

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

	2019 Number	2018 Number
Sales & administration	118	117
Production & distribution	191	183
	<u>309</u>	<u>300</u>

Their aggregate remuneration comprised:

	2019 £'000	2018 £'000
Wages and salaries	8,193	7,747
Social security costs	713	677
Pension costs	224	168
	<u>9,130</u>	<u>8,592</u>

### 7 Director's remuneration

	2019 £'000	2018 £'000
Remuneration for qualifying services	<u>69</u>	<u>68</u>

One director (2018: one) is accruing benefits under the defined contribution pension scheme operated by the group.

### 8 Interest payable and similar expenses

	2019 £'000	2018 £'000
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest on bank overdrafts and loans	16	29
<b>Other finance costs:</b>		
Interest on finance leases and hire purchase contracts	<u>104</u>	<u>72</u>
Total finance costs	<u>120</u>	<u>101</u>

# DYFED STEELS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 9 Taxation

	2019 £'000	2018 £'000
<b>Current tax</b>		
UK corporation tax on profits for the current period	-	(14)
<b>Deferred tax</b>		
Origination and reversal of timing differences	(40)	65
<b>Total tax (credit)/charge</b>	<b>(40)</b>	<b>51</b>

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

	2019 £'000	2018 £'000
(Loss)/profit before taxation	(211)	53
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	(40)	10
Tax effect of expenses that are not deductible in determining taxable profit	52	104
Tax effect of utilisation of tax losses not previously recognised	-	(14)
Other permanent differences	(47)	(114)
Under/(over) provided in prior years	35	-
Origination and reversal of timing differences	(40)	65
<b>Taxation (credit)/charge</b>	<b>(40)</b>	<b>51</b>

### 10 Intangible fixed assets

Group	Goodwill £'000
<b>Cost</b>	
At 1 January 2019 and 31 December 2019	598
<b>Amortisation and impairment</b>	
At 1 January 2019	558
Amortisation charged for the year	40
At 31 December 2019	598
<b>Carrying amount</b>	
At 31 December 2019	-
At 31 December 2018	40

# DYFED STEELS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 10 Intangible fixed assets

(Continued)

Company	Goodwill £'000
<b>Cost</b>	
At 1 January 2019 and 31 December 2019	477
<b>Amortisation and impairment</b>	
At 1 January 2019	427
Amortisation charged for the year	40
At 31 December 2019	467
<b>Carrying amount</b>	
At 31 December 2019	10
At 31 December 2018	50

### 11 Tangible fixed assets

Group	Freehold land and buildings £'000	Plant and machinery £'000	Fixtures, fittings & equipment £'000	Motor vehicles £'000	Total £'000
<b>Cost or valuation</b>					
At 1 January 2019	6,290	8,198	442	4,305	19,235
Additions	154	330	-	575	1,059
Disposals	-	(97)	-	(369)	(466)
Revaluation	213	-	-	-	213
At 31 December 2019	6,657	8,431	442	4,511	20,041
<b>Depreciation and Impairment</b>					
At 1 January 2019	337	4,645	442	2,543	7,967
Depreciation charged in the year	19	413	-	300	732
Eliminated in respect of disposals	-	(97)	-	(323)	(420)
Revaluation	(268)	-	-	-	(268)
At 31 December 2019	88	4,961	442	2,520	8,011
<b>Carrying amount</b>					
At 31 December 2019	6,569	3,470	-	1,991	12,030
At 31 December 2018	5,953	3,553	-	1,762	11,268

# DYFED STEELS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 11 Tangible fixed assets

(Continued)

Company	Freehold land and buildings	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>					
At 1 January 2019	6,290	8,198	442	4,305	19,235
Additions	154	330	-	575	1,059
Disposals	-	(97)	-	(369)	(466)
Revaluation	213	-	-	-	213
At 31 December 2019	6,657	8,431	442	4,511	20,041
<b>Depreciation and impairment</b>					
At 1 January 2019	337	4,645	442	2,543	7,967
Depreciation charged in the year	19	413	-	300	732
Eliminated in respect of disposals	-	(97)	-	(323)	(420)
Revaluation	(268)	-	-	-	(268)
At 31 December 2019	88	4,961	442	2,520	8,011
<b>Carrying amount</b>					
At 31 December 2019	6,569	3,470	-	1,991	12,030
At 31 December 2018	5,953	3,553	-	1,762	11,268

Included within Freehold land and buildings above is a balance of £4,014 relating to land that is not depreciated.

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

	Group 2019 £'000	2018 £'000	Company 2019 £'000	2018 £'000
Plant and machinery	1,048	1,189	1,048	1,189
Motor vehicles	1,328	1,434	1,328	1,434
	2,376	2,623	2,376	2,623

The principal freehold properties (including Llanelli and Radnedge) were revalued at June 2019 by Rowland Jones Chartered Surveyors who are independent to the company. The Director considers the remaining properties included within freehold land and buildings to accurately reflect current market values. The valuations conform to International Valuation Standards and was based on recent market transactions on arm's length terms for similar properties. The directors do not consider the valuations to be materially different from the professional valuations.

If revalued assets were stated on an historical cost basis rather than a fair value basis, the total amounts included would have been as follows:

# DYFED STEELS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 11 Tangible fixed assets

(Continued)

	Group 2019 £'000	2018 £'000	Company 2019 £'000	2018 £'000
Cost	4,896	4,742	4,896	4,742
Accumulated depreciation	(1,372)	(1,274)	(1,372)	(1,274)
Carrying value	<u>3,524</u>	<u>3,468</u>	<u>3,524</u>	<u>3,468</u>

### 12 Subsidiaries

Details of the company's subsidiaries at 31 December 2019, all of whom are included in the consolidated financial statements of Dyfed Steels Limited, are as follows:

Name of undertaking	Registered office	Class of shares held	% Held Direct
D S Southwest Limited	England & Wales	Ordinary Shares	100.00
Dyfed Steels (Southern) Limited	England & Wales	Ordinary Shares	100.00
Dyfed Steels Mid-Wales Limited	England & Wales	Ordinary Shares	100.00
Ex Stock Steels Limited	England & Wales	Ordinary Shares	100.00
Excel (Steel Stock) Limited	England & Wales	Ordinary Shares	100.00

### 13 Financial instruments

	Group 2019 £'000	2018 £'000	Company 2019 £'000	2018 £'000
<b>Carrying amount of financial assets</b>				
Debt instruments measured at amortised cost	<u>11,779</u>	<u>13,022</u>	<u>11,779</u>	<u>13,022</u>
<b>Carrying amount of financial liabilities</b>				
Measured at amortised cost	<u>24,112</u>	<u>23,253</u>	<u>24,112</u>	<u>23,253</u>

### 14 Stocks

	Group 2019 £'000	2018 £'000	Company 2019 £'000	2018 £'000
Raw materials and consumables	<u>13,816</u>	<u>12,007</u>	<u>13,816</u>	<u>12,007</u>

Stocks are stated after provisions for impairment of £212k (2018: £343k).

# DYFED STEELS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 15 Debtors

	Group 2019 £'000	2018 £'000	Company 2019 £'000	2018 £'000
<b>Amounts falling due within one year:</b>				
Trade debtors	11,782	13,022	11,782	13,022
Corporation tax recoverable	-	14	-	14
Prepayments and accrued income	246	270	246	270
	<u>12,028</u>	<u>13,306</u>	<u>12,028</u>	<u>13,306</u>

Trade debtors are stated after provisions for impairment of £125k (2018: £152k).

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

	Notes	Group 2019 £'000	2018 £'000	Company 2019 £'000	2018 £'000
Bank loans and overdrafts	18	431	1,236	431	1,236
Obligations under finance leases	19	888	677	888	677
Trade creditors		10,420	9,643	10,420	9,643
Other taxation and social security		774	618	774	618
Government grants	21	59	60	59	60
Other creditors		9,445	8,643	9,445	8,643
Accruals and deferred income		315	498	315	498
		<u>22,332</u>	<u>21,375</u>	<u>22,332</u>	<u>21,375</u>

The group has entered into a contract that provides invoice discounting facilities in respect of its trade debts. An amount of £9.373k (2018: £8,609k) is included in other creditors of both the company and the group in respect of such balances. The balance is secured by means of a fixed charge over the assets of the company.

Amounts included within finance leases are secured upon the assets to which they relate.

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

	Notes	Group 2019 £'000	2018 £'000	Company 2019 £'000	2018 £'000
Bank loans and overdrafts	18	702	768	702	768
Obligations under finance leases	19	1,911	1,788	1,911	1,788
Government grants	21	531	505	531	505
		<u>3,144</u>	<u>3,061</u>	<u>3,144</u>	<u>3,061</u>



# DYFED STEELS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

#### 18 Loans and overdrafts

	Group 2019 £'000	2018 £'000	Company 2019 £'000	2018 £'000
Bank loans	817	857	817	857
Bank overdrafts	316	1,147	316	1,147
	<u>1,133</u>	<u>2,004</u>	<u>1,133</u>	<u>2,004</u>
Payable within one year	431	1,236	431	1,236
Payable after one year	<u>702</u>	<u>768</u>	<u>702</u>	<u>768</u>

The bank loans and overdraft are secured by a fixed and floating charge against the assets of the group.

The long term loan balance consists of two loans. The two loans are subject to interest at 2.5% above the Bank of England base rate, are repayable in equal monthly instalments and are due to mature in 2027.

#### 19 Finance lease obligations

	Group 2019 £'000	2018 £'000	Company 2019 £'000	2018 £'000
Future minimum lease payments due under finance leases:				
Within one year	888	677	888	677
In two to five years	<u>1,911</u>	<u>1,788</u>	<u>1,911</u>	<u>1,788</u>
	<u>2,799</u>	<u>2,465</u>	<u>2,799</u>	<u>2,465</u>

Finance lease payments represent rentals payable by the company for certain items of motor vehicles. The average lease term is 3 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

#### 20 Deferred taxation

Deferred tax assets and liabilities are offset where the group or company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2019 £'000	Liabilities 2018 £'000
Group		
ACAs	293	280
Other timing differences	<u>(89)</u>	<u>(36)</u>
	<u>204</u>	<u>244</u>

# DYFED STEELS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 20 Deferred taxation

(Continued)

	Liabilities 2019 £'000	Liabilities 2018 £'000
<b>Company</b>		
ACAs	293	280
Other timing differences	(89)	(36)
	<u>204</u>	<u>244</u>
	<b>Group 2019 £'000</b>	<b>Company 2019 £'000</b>
<b>Movements in the year:</b>		
Liability at 1 January 2019	244	244
Credit to profit or loss	(40)	(40)
	<u>204</u>	<u>204</u>

### 21 Government grants

	Group 2019 £'000	2018 £'000	Company 2019 £'000	2018 £'000
Deferred income is included in the financial statements as follows:				
Current liabilities	59	60	59	60
Non-current liabilities	531	505	531	505
	<u>590</u>	<u>565</u>	<u>590</u>	<u>565</u>

The Company has received a grant in the year totalling £149k (2018: £416k) the balance is deferred on the balance sheet and is released over the estimated useful life of the related assets.

The Company has certain obligations in relation to this grant. If these obligations are not met then the company may have to repay all or part of the grant.

### 22 Retirement benefit schemes

	2019 £'000	2018 £'000
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	<u>224</u>	<u>168</u>

A defined contribution pension scheme is operated for directors and senior employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

# DYFED STEELS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 23 Share capital

	Group and company	
	2019	2018
	£'000	£'000
Ordinary share capital		
Issued and fully paid		
45,000 Ordinary shares of £1 each	45	45
	<u>45</u>	<u>45</u>

### 24 Operating lease commitments

#### Lessee

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

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Within one year	77	146	77	146
Between two and five years	25	105	25	105
	<u>102</u>	<u>251</u>	<u>102</u>	<u>251</u>

### 25 Related party transactions

#### Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2019	2018
	£'000	£'000
Aggregate compensation	68	68
	<u>68</u>	<u>68</u>

### 26 Controlling party

D W Thomas is considered to be the ultimate controlling party by virtue of his 100% interest in the equity share capital of Dyfed Steels Limited.

# DYFED STEELS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 27 Cash generated from group operations

	2019 £'000	2018 £'000
(Loss)/profit for the year after tax	(171)	2
<b>Adjustments for:</b>		
Taxation (credited)/charged	(40)	51
Finance costs	120	101
Gain on disposal of tangible fixed assets	(28)	(1)
Amortisation and impairment of intangible assets	40	45
Depreciation and impairment of tangible fixed assets	732	839
<b>Movements in working capital:</b>		
Increase in stocks	(1,809)	(2,955)
Decrease/(increase) in debtors	1,266	(2,281)
Increase in creditors	1,552	5,889
Increase in deferred income	25	381
<b>Cash generated from operations</b>	<b>1,687</b>	<b>2,071</b>

### 28 Cash generated from operations - company

	2019 £'000	2018 £'000
(Loss)/profit for the year after tax	(171)	2
<b>Adjustments for:</b>		
Taxation (credited)/charged	(40)	51
Finance costs	120	101
Gain on disposal of tangible fixed assets	(28)	(1)
Amortisation and impairment of intangible assets	40	45
Depreciation and impairment of tangible fixed assets	732	839
<b>Movements in working capital:</b>		
Increase in stocks	(1,809)	(2,955)
Decrease/(increase) in debtors	1,266	(2,281)
Increase in creditors	1,552	5,889
Increase in deferred income	25	381
<b>Cash generated from operations</b>	<b>1,687</b>	<b>2,071</b>

# DYFED STEELS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

#### 29 Analysis of changes in net debt - group

	1 January 2019 £'000	Cash flows £'000	31 December 2019 £'000
Cash at bank and in hand	-	59	59
Bank overdrafts	(1,147)	831	(316)
	(1,147)	890	(257)
Borrowings excluding overdrafts	(857)	40	(817)
Obligations under finance leases	(2,465)	(334)	(2,799)
	(4,469)	596	(3,873)

#### 30 Analysis of changes in net debt - company

	1 January 2019 £'000	Cash flows £'000	31 December 2019 £'000
Cash at bank and in hand	-	59	59
Bank overdrafts	(1,147)	831	(316)
	(1,147)	890	(257)
Borrowings excluding overdrafts	(857)	40	(817)
Obligations under finance leases	(2,465)	(334)	(2,799)
	(4,469)	596	(3,873)