

Company Registration No. 05298340 (England and Wales)

DISTINCTION DOORS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019



DISTINCTION DOORS LIMITED

COMPANY INFORMATION

Directors	V M Brown A J Fowlds D R Gomersall D M Walker C Roach G Williams H Lovak	(Appointed 19 August 2020)
Company number	05298340	
Registered office	36 Wentworth Industrial Estate Wentworth Way Tannersley Barnsley S75 3DH	
Auditor	BHP LLP 2 Rutland Park Sheffield S10 2PD	

DISTINCTION DOORS LIMITED

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DISTINCTION DOORS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present the strategic report for the year ended 31 December 2019.

Strategic Management

We continually strive to be pioneers in the external door market. We will source and supply high quality innovative products to our customers based on their bespoke needs, assisting them through the product life cycle by delivering technical and marketing expertise and support.

We will provide an environment in which engaged employees who share the company values can flourish and develop to their full potential. We will constantly review our objectives to ensure we maintain a thriving and sustainable business for the future.

During the year we invested in excess of £250k in new capital equipment and further increased staffing levels to support our customers in an increasingly challenging marketplace.

We consider that our workforce are our most valuable asset, we support employee training and development at all levels of the company and during 2019 have retained our Investors in People and received a number of awards for our Health and Wellbeing initiatives.

Business Environment

Increased uncertainty in the UK economy appears to be impacting adversely on both consumer spending and business investment.

The group remains focussed and committed to managing the factors which affected our business this year. The key business risks affecting the group in addition to the uncertainty in the economic environment is considered to be the level of the sterling exchange rate against the US dollar and stock availability (due to long leads from suppliers and lack of forecasting from customers).

We have a robust currency hedging policy in place to minimise the impact of currency fluctuations and remain at the forefront of innovation in our sector. We continue to invest in appropriate stock holding levels, additionally we have created a robust forecasting system based on trends and historical purchasing data.

Business Performance

Despite a challenging external business environment, particularly relating to the sale of composite fire doors, Distinction Group focussed increasingly on value added services maintaining a healthy profitability.

Net assets increased by £2M over the course of the year.

DISTINCTION DOORS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Outlook

The group continues to harness its strengths and capabilities towards achieving targeted development of both new and existing product lines. Once again we are grateful to our experienced, talented and engaged workforce and our growing customer base, as we embark on the next chapter of the group's advancement.

The group's business activities, together with factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposure to price, credit, liquidity and cashflow risk are described in the Strategic Report.

The group has considerable financial resources together with long term contracts with key suppliers. As a consequence, the directors believe that the group is well placed to manage its business risk successfully despite the current uncertain economic outlook.

The directors have considered the impact of COVID-19 on the companies trade, workforce and supply chain as well as the wider economy. Whilst it is not considered practical to accurately assess the duration and extent of the disruption, the directors are confident that they have in place plans to deal with any financial losses that may arise. The possible material impacts on the business and the plans to mitigate them include, but are not limited to:

- Temporary cessation of supply - we hold sufficient stock levels to manage a temporary pause in receipting product.
- Localised secondary lock-down – all office staff are able to work remotely, in addition to our production employees we also have access to skilled temporary labour should there be excessive levels of sickness.
- Cashflow pressures – we maintain excellent relationships throughout our supply chain and with our funders and forward forecast our cash position looking forward 12 months at any point. We are confident in our ability to manage our cash position.

The directors have undertaken a comprehensive review of the 2020 forecasts including cashflows and are confident, even with conservative estimates the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

On behalf of the board



A J Fowlds

Director

16 September 2020

DISTINCTION DOORS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their annual report and financial statements for the year ended 31 December 2019.

Principal activities

The principal activity of the company continued to be the distribution of composite doors.

Directors

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

V M Brown

A J Fowlds

D R Gomersall

(Appointed 19 August 2020)

D M Walker

C Roach

G Williams

H Lovak

Results and dividends

The results for the year are set out on page 7.

Ordinary dividends were paid amounting to £350,000. The directors do not recommend payment of a further dividend.

Auditor

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

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have 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 directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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.

DISTINCTION DOORS LIMITED

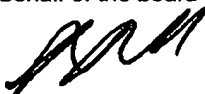
DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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



A J Fowlds
Director

16 September 2020

DISTINCTION DOORS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF DISTINCTION DOORS LIMITED

Opinion

We have audited the financial statements of Distinction Doors Limited (the 'company') for the year ended 31 December 2019 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the 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 company's affairs as at 31 December 2019 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 directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are 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.

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

DISTINCTION DOORS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF DISTINCTION DOORS LIMITED

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 directors' 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 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 directors

As explained more fully in the directors' responsibilities statement, the directors are 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 directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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.

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.

BHP LLP

Lisa Leighton (Senior Statutory Auditor)
for and on behalf of BHP LLP

23 September 2020

Chartered Accountants
Statutory Auditor

2 Rutland Park
Sheffield
S10 2PD

DISTINCTION DOORS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	2018 £
Turnover	3	37,898,122	41,400,841
Cost of sales		(32,383,267)	(35,463,823)
Gross profit		5,514,855	5,937,018
Administrative expenses		(3,158,266)	(5,022,235)
Operating profit	4	2,356,589	914,783
Interest receivable and similar income	7	422	-
Interest payable and similar expenses	8	(180,466)	(218,955)
Profit before taxation		2,176,545	695,828
Tax on profit	9	(308,121)	(31,076)
Profit for the financial year		1,868,424	664,752
Other comprehensive income			
Fair value adjustments reclassified to profit or loss		(1,298,675)	1,494,711
Tax relating to other comprehensive income		220,775	(265,476)
Total comprehensive income for the year		790,524	1,893,987

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

DISTINCTION DOORS LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	2019 £	£	2018 £	£
Fixed assets					
Tangible assets	11	1,193,175		1,369,584	
Investments	12	1		1	
		<u>1,193,176</u>		<u>1,369,585</u>	
Current assets					
Stocks	15	7,370,630		9,524,560	
Debtors	16	17,314,343		18,653,500	
Cash at bank and in hand		338,785		169,469	
		<u>25,023,758</u>		<u>28,347,529</u>	
Creditors: amounts falling due within one year	17	(13,329,618)		(17,035,446)	
Net current assets		<u>11,694,140</u>		<u>11,312,083</u>	
Total assets less current liabilities		<u>12,887,316</u>		<u>12,681,668</u>	
Creditors: amounts falling due after more than one year	18	(323,106)		(397,232)	
Provisions for liabilities	21	(63,000)		(223,750)	
Net assets		<u>12,501,210</u>		<u>12,060,686</u>	
Capital and reserves					
Called up share capital	24	150,000		150,000	
Fair value reserve	25	(283,296)		794,604	
Profit and loss reserves		12,634,506		11,116,082	
Total equity		<u>12,501,210</u>		<u>12,060,686</u>	

The financial statements were approved by the board of directors and authorised for issue on 16 September 2020 and are signed on its behalf by:


A J Fowlds
Director

Company Registration No. 05298340

DISTINCTION DOORS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Share capital £	Fair value reserve £	Profit and loss reserves £	Total £
Balance at 1 January 2018		150,000	(434,631)	10,451,330	10,166,699
Year ended 31 December 2018:					
Profit for the year		-	-	664,752	664,752
Other comprehensive income:					
Fair value adjustments reclassified to profit or loss		-	1,494,711	-	1,494,711
Tax relating to other comprehensive income		-	(265,476)	-	(265,476)
Total comprehensive income for the year		-	1,229,235	664,752	1,893,987
Balance at 31 December 2018		150,000	794,604	11,116,082	12,060,686
Year ended 31 December 2019:					
Profit for the year		-	-	1,868,424	1,868,424
Other comprehensive income:					
Fair value adjustments reclassified to profit or loss		-	(1,298,675)	-	(1,298,675)
Tax relating to other comprehensive income		-	220,775	-	220,775
Total comprehensive income for the year		-	(1,077,900)	1,868,424	790,524
Dividends	10	-	-	(350,000)	(350,000)
Balance at 31 December 2019		150,000	(283,296)	12,634,506	12,501,210

DISTINCTION DOORS LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	£	2018 £	£
Cash flows from operating activities					
Cash generated from operations	32	1,973,341		1,438,997	
Interest paid		(180,466)		(218,955)	
Income taxes paid		(180,801)		(222,929)	
Net cash inflow from operating activities		1,612,074		997,113	
Investing activities					
Purchase of tangible fixed assets		(257,502)		(885,367)	
Interest received		422		-	
Net cash used in investing activities		(257,080)		(885,367)	
Financing activities					
Repayment of borrowings		(798,949)		(208,857)	
Payment of finance leases obligations		(36,729)		181,988	
Dividends paid		(350,000)		-	
Net cash used in financing activities		(1,185,678)		(26,869)	
Net increase in cash and cash equivalents		169,316		84,877	
Cash and cash equivalents at beginning of year		169,469		84,592	
Cash and cash equivalents at end of year		338,785		169,469	

DISTINCTION DOORS LIMITED

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

1 Accounting policies

Company information

Distinction Doors Limited is a private company limited by shares incorporated in England and Wales. The registered office is 36 Wentworth Industrial Estate, Wentworth Way, Tankersley, Barnsley, S75 3DH.

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 certain financial instruments at fair value. 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 33 'Related Party Disclosures paragraph 33.7.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

Distinction Doors Limited is a wholly owned subsidiary of Distinction (Group) Limited and the results of Distinction Doors Limited are included in the consolidated financial statements of Distinction (Group) Limited which are available from 36 Wentworth Industrial Estate, Wentworth Way, Tankersley, Barnsley, S75 3 DH.

DISTINCTION DOORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

The directors have considered the impact of COVID-19 on the companies trade, workforce and supply chain as well as the wider economy when drawing their conclusions on going concern. Whilst it is not considered practical to accurately assess the duration and extent of the disruption, the directors are confident that they have in place plans to deal with any financial losses that may arise. The possible material impacts on the business and the plans to mitigate them include, but are not limited to:

- Temporary cessation of supply - we hold sufficient stock levels to manage a temporary pause in receipting product.
- Localised secondary lock-down – all office staff are able to work remotely, in addition to our production employees we also have access to skilled temporary labour should there be excessive levels of sickness.
- Cashflow pressures – we maintain excellent relationships throughout our supply chain and with our funders and forward forecast our cash position looking forward 12 months at any point. We are confident in our ability to manage our cash position.

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.

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:

Land and buildings Leasehold	20% straight line
Plant and machinery	20 to 33.3% straight line
Fixtures, fittings & equipment	20 to 33.3% straight line
Computer equipment	20 to 33.3% straight line
Motor vehicles	33% 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 credited or charged to profit or loss.

1.5 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

DISTINCTION DOORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

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

1.6 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.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) 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.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.7 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.

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.

1.8 Cash at bank and in hand

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.

1.9 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.

DISTINCTION DOORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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.

DISTINCTION DOORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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.

Derecognition of financial liabilities

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

1.10 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.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

1.11 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.

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.

DISTINCTION DOORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.12 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.

1.13 Retirement benefits

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

1.14 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.

1.15 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 directors are 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.

3 Turnover and other revenue

	2019	2018
	£	£
Turnover analysed by class of business		
Sale of goods	37,898,122	41,400,841

DISTINCTION DOORS LIMITED

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

3 Turnover and other revenue (Continued)

	2019	2018
	£	£
Other significant revenue		
Interest income	422	-
	<u>422</u>	<u>-</u>
	2019	2018
	£	£
Turnover analysed by geographical market		
United Kingdom	36,355,649	40,053,853
Rest Of Europe	1,542,473	1,346,988
	<u>37,898,122</u>	<u>41,400,841</u>

4 Operating profit

	2019	2018
	£	£
Operating profit for the year is stated after charging/(crediting):		
Exchange (gains)/losses	(1,365,395)	324,177
Fees payable to the company's auditor for the audit of the company's financial statements	8,500	8,250
Depreciation of owned tangible fixed assets	209,571	149,524
Depreciation of tangible fixed assets held under finance leases	224,340	152,902
Operating lease charges	492,297	426,015
	<u>422</u>	<u>-</u>

5 Employees

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

	2019	2018
	Number	Number
Administration and Sales	60	57
Production	93	87
	<u>153</u>	<u>144</u>
Total	153	144

DISTINCTION DOORS LIMITED

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

5 Employees

(Continued)

Their aggregate remuneration comprised:

	2019	2018
	£	£
Wages and salaries	3,919,023	4,482,109
Social security costs	314,558	376,544
Pension costs	137,617	145,506
	<u>4,371,198</u>	<u>5,004,159</u>

6 Directors' remuneration

	2019	2018
	£	£
Remuneration for qualifying services	379,348	1,082,268
Company pension contributions to defined contribution schemes	13,333	35,566
	<u>392,681</u>	<u>1,117,834</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 5 (2018 - 6).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2019	2018
	£	£
Remuneration for qualifying services	117,329	254,854
Company pension contributions to defined contribution schemes	5,000	-
	<u>122,329</u>	<u>254,854</u>

7 Interest receivable and similar income

	2019	2018
	£	£
Interest income		
Other interest income	422	-
	<u>422</u>	<u>-</u>

DISTINCTION DOORS LIMITED

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

8 Interest payable and similar expenses

	2019	2018
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	166,158	201,540
Other interest on financial liabilities	-	5,537
	<u>166,158</u>	<u>207,077</u>
Other finance costs:		
Interest on finance leases and hire purchase contracts	14,308	11,878
	<u>180,466</u>	<u>218,955</u>

DISTINCTION DOORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

9 Taxation

	2019	2018
	£	£
Current tax		
UK corporation tax on profits for the current period	263,475	55,913
Adjustments in respect of prior periods	42,646	(29,837)
Total current tax	<u>306,121</u>	<u>26,076</u>
Deferred tax		
Origination and reversal of timing differences	<u>2,000</u>	<u>5,000</u>
Total tax charge	<u>308,121</u>	<u>31,076</u>

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

	2019	2018
	£	£
Profit before taxation	<u>2,176,545</u>	<u>695,828</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	413,544	132,207
Tax effect of expenses that are not deductible in determining taxable profit	9,705	(4,979)
Adjustments in respect of prior years	42,646	(29,837)
Group relief	(157,533)	(8,499)
Research and development tax credit	-	(55,000)
Deferred tax not recognised	(5)	(235)
Change in deferred tax rates	(236)	(2,581)
Taxation charge for the year	<u>308,121</u>	<u>31,076</u>

In addition to the amount charged to the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2019	2018
	£	£
Deferred tax arising on:		
Fair value adjustments	<u>(220,775)</u>	<u>265,476</u>

DISTINCTION DOORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

10 Dividends

	2019	2018
	£	£
Final paid	350,000	-

11 Tangible fixed assets

	Land and buildings Leasehold	Plant and machinery	Fixtures, fittings & equipment	Computer equipment	Motor vehicles	Total
	£	£	£	£	£	£
Cost						
At 1 January 2019	162,420	1,875,805	640,232	550,012	70,040	3,298,509
Additions	-	231,496	24,020	1,986	-	257,502
Disposals	-	(3,000)	(66,699)	(144,208)	(52,290)	(266,197)
At 31 December 2019	162,420	2,104,301	597,553	407,790	17,750	3,289,814
Depreciation and impairment						
At 1 January 2019	121,763	794,172	582,683	360,267	70,040	1,928,925
Depreciation charged in the year	19,598	296,731	27,112	90,470	-	433,911
Eliminated in respect of disposals	-	(3,000)	(66,699)	(144,208)	(52,290)	(266,197)
At 31 December 2019	141,361	1,087,903	543,096	306,529	17,750	2,096,639
Carrying amount						
At 31 December 2019	21,059	1,016,398	54,457	101,261	-	1,193,175
At 31 December 2018	40,657	1,081,633	57,549	189,745	-	1,369,584

The carrying value of land and buildings comprises:

	2019	2018
	£	£
Short leasehold	21,059	40,657

DISTINCTION DOORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

11 Tangible fixed assets

(Continued)

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

	2019	2018
	£	£
Plant and machinery	694,796	681,007
Fixtures, fittings & equipment	34,457	68,647
	<u>729,253</u>	<u>749,654</u>
Depreciation charge for the year in respect of leased assets	<u>224,340</u>	<u>152,902</u>

12 Fixed asset investments

	Notes	2019	2018
		£	£
Investments in subsidiaries	13	<u>1</u>	<u>1</u>

Movements in fixed asset investments

	Shares in group undertakings £
Cost or valuation	
At 1 January 2019 & 31 December 2019	<u>1</u>
Carrying amount	
At 31 December 2019	<u>1</u>
At 31 December 2018	<u>1</u>

13 Subsidiaries

Details of the company's subsidiaries at 31 December 2019 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct
Axis Doors Limited	United Kingdom	Supply of composite doors	Ordinary	100.00

DISTINCTION DOORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

14 Financial instruments

	2019	2018
	£	£
Carrying amount of financial assets		
Instruments measured at fair value through profit or loss	-	957,354
Carrying amount of financial liabilities		
Measured at fair value through profit or loss		
- Other financial liabilities	341,321	-

15 Stocks

	2019	2018
	£	£
Finished goods and goods for resale	7,370,630	9,524,560

16 Debtors

	2019	2018
	£	£
Amounts falling due within one year:		
Trade debtors	5,472,321	6,569,747
Corporation tax recoverable	84,606	135,076
Amounts owed by group undertakings	11,399,590	10,653,960
Derivative financial instruments	-	957,354
Other debtors	57,739	40,941
Prepayments and accrued income	242,062	296,422
	17,256,318	18,653,500
Deferred tax asset (note 22)	58,025	-
	17,314,343	18,653,500

DISTINCTION DOORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

17 Creditors: amounts falling due within one year

	Notes	2019 £	2018 £
Obligations under finance leases	20	221,876	184,479
Other borrowings	19	7,889,343	8,688,292
Trade creditors		4,444,665	7,648,446
Corporation tax		74,850	-
Other taxation and social security		126,343	146,539
Derivative financial instruments		341,321	-
Other creditors		26,740	56,618
Accruals and deferred income		204,480	311,072
		<u>13,329,618</u>	<u>17,035,446</u>

Secured Creditors

Creditors falling due within one year on which security has been given by the company include invoice financing creditors of £7,889,343 (2018: £8,688,292). All are secured by a legal charge over the assets of the company dated 8 November 2016.

Obligations under hire purchase contract are secured on the assets to which they relate.

18 Creditors: amounts falling due after more than one year

	Notes	2019 £	2018 £
Obligations under finance leases	20	<u>323,106</u>	<u>397,232</u>

Secured Creditors

Obligations under finance lease and hire purchase contracts are secured on the assets to which they relate.

19 Other borrowings

	2019 £	2018 £
Asset backed lending facility	<u>7,889,343</u>	<u>8,688,292</u>
Payable within one year	<u>7,889,343</u>	<u>8,688,292</u>

DISTINCTION DOORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

20 Finance lease obligations

	2019 £	2018 £
Future minimum lease payments due under finance leases:		
Within one year	221,877	184,479
In two to five years	323,105	397,232
	<u>544,982</u>	<u>581,711</u>

21 Provisions for liabilities

	Notes	2019 £	2018 £
Deferred tax liabilities	22	<u>63,000</u>	<u>223,750</u>

22 Deferred taxation

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

	Liabilities 2019 £	Liabilities 2018 £	Assets 2019 £	Assets 2018 £
Balances:				
Accelerated capital allowances	63,000	61,000	-	-
Deferred tax on forward contracts through OCI	-	162,750	58,025	-
	<u>63,000</u>	<u>223,750</u>	<u>58,025</u>	<u>-</u>
Movements in the year:				2019 £
Liability at 1 January 2019				223,750
Charge to profit or loss				2,000
Credit to other comprehensive income				(220,775)
Liability at 31 December 2019				<u>4,975</u>

DISTINCTION DOORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

23 Retirement benefit schemes

	2019	2018
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	137,617	145,506

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.

24 Share capital

	2019	2018
	£	£
Ordinary share capital		
Issued and fully paid		
150,000 Ordinary shares of £1 each	150,000	150,000

25 Fair value reserve

Includes movements in fair values on derivative financial instruments identified as designated and effective hedges. This is a non-distributable reserve impacting Other Comprehensive Income.

26 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:

	2019	2018
	£	£
Within one year	520,594	531,584
Between two and five years	771,107	1,314,468
In over five years	705,529	885,664
	<u>1,997,230</u>	<u>2,731,716</u>

27 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2019	2018
	£	£
Acquisition of tangible fixed assets	135,960	-

DISTINCTION DOORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

28 Events after the reporting date

As part of their assessment of the going concern basis of preparation, the directors have considered the impact of the COVID-19 pandemic on the company's trade, workforce, supply chain and the wider economies in which it operates. See note 1.2 to the financial statements. It is the view of the directors that the events which have significantly impacted the company are the direct result of Government and international policy in response to the pandemic (for example restrictions on travel, trade and personal interactions) and such policy only arose after the balance sheet date. The directors therefore consider the impact of the COVID-19 on the company to be a non-adjusting post-balance sheet event.

29 Related party transactions

The company has taken advantage of the exemption in section 33.1A of FRS 102 from disclosing transactions entered into between two or more members of the group as all subsidiaries are wholly owned.

The company has taken advantage of the exemption under FRS 102 section 1.12 Reduced Disclosures For Subsidiaries from disclosing key management personnel compensation in total.

30 Directors' transactions

Advances or credits have been granted by the company to its directors as follows:

Description	% Rate	Opening balance £	Amounts advanced £	Amounts repaid £	Closing balance £
D M Walker -	-	4,800	-	(2,400)	2,400
G Williams -	-	-	35,000	-	35,000
		<u>4,800</u>	<u>35,000</u>	<u>(2,400)</u>	<u>37,400</u>

31 Ultimate controlling party

The parent company is Distinction Doors Holdings Limited. The ultimate parent company is Distinction Group Limited. The ultimate controlling party is A J Fowlds.

DISTINCTION DOORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

32 Cash generated from operations

	2019	2018
	£	£
Profit for the year after tax	1,868,424	664,752
Adjustments for:		
Taxation charged	308,121	31,076
Finance costs	180,466	218,955
Investment income	(422)	-
Depreciation and impairment of tangible fixed assets	433,911	302,426
Movements in working capital:		
Decrease/(increase) in stocks	2,153,930	(2,112,024)
Decrease/(increase) in debtors	389,358	(1,652,666)
(Decrease)/increase in creditors	(3,360,447)	3,986,478
Cash generated from operations	<u>1,973,341</u>	<u>1,438,997</u>

33 Analysis of changes in net debt

	1 January 2019	Cash flows	31 December 2019
	£	£	£
Cash at bank and in hand	169,469	169,316	338,785
Borrowings excluding overdrafts	(8,688,292)	798,949	(7,889,343)
Obligations under finance leases	(581,711)	36,729	(544,982)
	<u>(9,100,534)</u>	<u>1,004,994</u>	<u>(8,095,540)</u>