

Company registration number 05298340 (England and Wales)

DISTINCTION DOORS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

DISTINCTION DOORS LIMITED

COMPANY INFORMATION

Directors	A J Fowlds	
	C Roach	
	H Lovack	
	S Massey	
	O D Jones	(Appointed 9 February 2022)
	G W Teagle	(Appointed 18 September 2023)
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 2022

The directors present the strategic report for the year ended 31 December 2022.

Strategic Management

The company continually strives to be a pioneer in the external door market. It sources and supplies high quality innovative products to its customers based on their bespoke needs, assisting them through the product life cycle by delivering technical and marketing expertise and support.

The company provides an environment which allows engaged employees to share the company values so they can flourish and develop to their full potential. Objectives are constantly reviewed to ensure a thriving and sustainable business for the future.

The workforce is the company's most valuable asset and are supported with employee training and development at all levels. In 2022 the Investors in People accreditation was retained, and employee numbers were increased.

During the year Distinction Manufacturing Group successfully completed an MBO takeover of Distinction Doors Ltd with the existing core management team retained within the Distinction Doors. This retention of key staff acts as the cornerstone for the business to continue to build upon its recent success.

Business Environment

Although 2022 saw a significant reduction in direct COVID impacts on the business environment, the macro-economic environment remained extremely challenging due to the outbreak of war in Ukraine accelerating fuel prices and in turn driving inflation. This further worsened in Q3 with the subsequent GBP collapse against the Dollar to the unprecedented levels of £1 to \$1.03.

Despite the evident challenges in the wider economy driving recession fears, the fenestration industry has remained remarkably buoyant with demand levels holding. Given the uncertainty in supply chain since 2019, holding artificially high stock levels has become a key lever to support customers. As such Distinction has maintained an additional investment into stocking levels across 2022 and into 2023.

Unfortunately, due to the GBP collapse a dollar surcharge had to be implemented to customers. The business remains confident that the market will reset to more typical levels and as such currency cost will lower. Since the end of the Truss regime confidence began to return, finishing the year at £1 to \$1.22.

Business Performance

Another year of volatility with spiralling costs and uncertainty in the supply chain has yet again limited many businesses ability to trade freely. Distinction, like most businesses has been faced with costs rising at an alarming rate, leaving the business in the unfavourable position of passing on cost or accepting significant profitability erosion. However, strong quantity demand helped support the overall profitability.

Sales grew £2.2m YOY to £44.3m vs £42.1m in 2021. Growth of 5.3%.

DISTINCTION DOORS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Outlook

The company continues to adapt to an ever-changing business environment, harnessing its strengths and capabilities towards achieving targeted development of both new and existing product lines. The experienced, talented, and engaged workforce is in a strong position to steer the business through the current uncertainty.

The company has considerable financial resources together with long term contracts with key suppliers. Consequently, the directors believe it is well placed to manage its business risk successfully despite the ongoing uncertainty and rapidly emerging inflationary pressures.

The directors have considered the impact of inflationary pressures on the company's 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 limit any impact on business performance, as reflected in 2022 performance in an uncertain business environment.

The directors have undertaken a comprehensive review of the 2023 forecasts including cashflows and are confident, even with conservative estimates, that the company has 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.

DISTINCTION DOORS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

S172 statement

Engaging with stakeholders

The success of our business is dependent on the support of all our stakeholders. Building positive relationships with stakeholders that share our values is important to us and working together towards shared goals assists us in delivering long-term sustainable success.

Shareholders

We maintain an open dialogue with our shareholders through periodic board meetings and quarterly shareholder meetings. Our shareholders are integral to the success of the business and play a key role in our decision-making process, financial performance, and strategic outlook.

Employees

Distinction maintains a continual open dialogue with all employees on both performance and wider outlook. Managers are provided periodic KPI packs with performance analysis of all areas of the business allowing for open dialogue on the company H&S audits, business financial performance, supplier and customer relationships and operational performance.

Quarterly, a full employee brief is run that provides a top line overview to every employee of the key results reviewed in the periodic KPI's. Our drive is to maintain an open culture where all employees have a direct dialogue with senior management as we strive to grow the business in our pursuit of perfection.

Customers

Our pursuit of perfection is to delight our customers. We strive to deliver the best product and service to the market. Our customer base is key to the success of our business, as such we invest a large amount of time working with customers to understand their needs and emerging market changes. From order to after-sales care, we provide our customers a dedicated 1-2-1 contact in customer service, a dedicated external sales contact, access to marketing and brochure support and technical representatives to assist with their staff training on our product.

Suppliers

We continue to build strong working relationships with our suppliers to develop long lasting partnerships. Supplier relationships run throughout the business assisted by our procurement team. From the board down our main supplier KPI is to continue to develop and support long-term supplier relationships. Supported through our periodic reviews with key accounts and more informally with open dialogue on a day-to-day basis.

Communities

We are proud to be part of the Barnsley and wider South Yorkshire community. We engage with the local communities on several fronts and aim to give something back to the local communities we work in. We partner with a local charity each year to help raise awareness and funds and organise several fund-raising events throughout the year which are keenly supported by employees.

We maintain a strong working relationship with Barnsley College with our ongoing apprenticeships and Sheffield Hallam University with our undergraduate placement scheme.

On behalf of the board

A J Fowlds

Director

21 September 2023

DISTINCTION DOORS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their annual report and financial statements for the year ended 31 December 2022.

Principal activities

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

Results and dividends

The results for the year are set out on page 11.

Ordinary dividends were paid amounting to £6,000,000. The directors do not recommend payment of a further dividend.

Directors

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

A J Fowlds	
D M Walker	(Resigned 27 July 2023)
C Roach	
H Lovack	
S Massey	
O D Jones	(Appointed 9 February 2022)
G W Teagle	(Appointed 18 September 2023)

Auditor

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

Energy and carbon report

	2022	2021
	kWh	kWh
<i>Energy consumption</i>		
Aggregate of energy consumption in the year		
- Gas combustion	234,462	343,214
- Electricity purchased	2,057,596	1,797,644
- Fuel consumed for transport	203,882	1,016
	<hr/>	<hr/>
	2,495,940	2,141,874
	<hr/>	<hr/>

DISTINCTION DOORS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	2021
	metric	metric
<i>Emissions of CO2 equivalent</i>	tonnes	tonnes
Scope 1 - direct emissions		
- Gas combustion	47.80	49.10
- Fuel consumed for owned transport	36.50	24.40
	84.30	73.50
Scope 2 - indirect emissions		
- Electricity purchased	396.70	374.00
Scope 3 - other indirect emissions		
- Fuel consumed for transport not owned by the	12.70	0.20
	493.70	447.70
Total gross emissions		
	493.70	447.70
<i>Intensity ratio</i>		
Tones of CO2e per employee	2.60	2.23

Quantification and reporting methodology

We have followed the 2019 HM Government Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol – Corporate Standard and have used the 2020 UK Government's Conversion Factors for Company Reporting.

Intensity measurement

The chosen intensity measurement ratio is total gross emissions in metric tonnes CO2e per employee, the recommended ratio for the sector.

Measures taken to improve energy efficiency

In 2022 Distinction Doors saw an overall increase in CO2 per employee due to a return to full trading operations post COVID.

However, a significant investment was made to ensure that the business remains on course to a sustainable and carbon neutral future including:

- Further investment in energy efficient lighting
- Live data tracking of manufacturing energy consumption
- Investment in a net zero consultancy package
- Further conversion of fleet to hybrid vehicles
- Procedural checks across site to ensure no 'phantom' energy usage over weekends and shutdown period.

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.

DISTINCTION DOORS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

On behalf of the board

A J Fowlds
Director

21 September 2023

DISTINCTION DOORS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

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

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 2022 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 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 2022 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 or the directors' report.

We have nothing to report in respect of the following matters in relation to which 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 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Through discussion with management and inspection of documentation, we have gained an understanding of the specific laws and regulations which govern Distinction Doors Limited. There are inherent limitations in the audit procedures described and, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

A review of expenditure has taken place to ensure that this does not display any evidence of legal proceedings against the company which have not otherwise been disclosed to the auditor. No issues have come to light through our testing in this area.

We have also addressed the risk of management override of internal controls, including journals testing and a review of the nominal ledger. We were able to assess whether there was any evidence of management bias in the financial statements which may represent a risk of material misstatement due to fraud.

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

DISTINCTION DOORS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF DISTINCTION DOORS LIMITED

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.

Lisa Leighton
Senior Statutory Auditor
For and on behalf of BHP LLP

21 September 2023

Chartered Accountants
Statutory Auditor

2 Rutland Park
Sheffield
S10 2PD

DISTINCTION DOORS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £	2021 £
Turnover	3	44,365,932	42,111,605
Cost of sales		(31,666,301)	(32,309,781)
Gross profit		12,699,631	9,801,824
Administrative expenses		(7,769,003)	(6,169,145)
Other operating income		17,725	11,808
Intercompany balance transfer	4	-	(1,336,296)
Operating profit	5	4,948,353	2,308,191
Interest payable and similar expenses	8	(486,304)	(142,650)
Profit before taxation		4,462,049	2,165,541
Tax on profit	9	(731,799)	(474,612)
Profit for the financial year		3,730,250	1,690,929
Other comprehensive income			
Fair value adjustments reclassified to profit or loss		151,881	1,083,599
Tax relating to other comprehensive income		(37,910)	(212,413)
Total comprehensive income for the year		3,844,221	2,562,115

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 2022

		2022		2021	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	11	1,855,534		975,641	
Investments	12		1		1
		<u>1,855,535</u>		<u>975,642</u>	
Current assets					
Stocks	15	8,253,520		10,601,712	
Debtors	16	16,227,564		16,490,932	
Cash at bank and in hand		508,647		510,488	
		<u>24,989,731</u>		<u>27,603,132</u>	
Creditors: amounts falling due within one year	17	<u>(12,441,693)</u>		<u>(14,688,206)</u>	
Net current assets		<u>12,548,038</u>		<u>12,914,926</u>	
Total assets less current liabilities		<u>14,403,573</u>		<u>13,890,568</u>	
Creditors: amounts falling due after more than one year	18	(2,598,684)		(132,525)	
Provisions for liabilities					
Deferred tax liability	21	312,792		165,000	
		<u>(312,792)</u>		<u>(165,000)</u>	
Net assets		<u>11,492,097</u>		<u>13,593,043</u>	
Capital and reserves					
Called up share capital	25	150,000		150,000	
Fair value reserve		377,730		263,759	
Capital contribution reserve		54,833		-	
Profit and loss reserves		10,909,534		13,179,284	
Total equity		<u>11,492,097</u>		<u>13,593,043</u>	

The financial statements were approved by the board of directors and authorised for issue on 21 September 2023 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 2022

	Notes	Share capital £	Fair value reserve £	Capital contribution reserve £	Profit and loss reserves £	Total £
Balance at 1 January 2021		150,000	(607,427)	-	11,574,069	11,116,642
Year ended 31 December 2021:						
Profit for the year		-	-	-	1,690,929	1,690,929
Other comprehensive income:						
Fair value adjustments reclassified to profit or loss		-	1,083,599	-	-	1,083,599
Tax relating to other comprehensive income		-	(212,413)	-	-	(212,413)
Total comprehensive income for the year		-	871,186	-	1,690,929	2,562,115
Dividends	10	-	-	-	(85,714)	(85,714)
Balance at 31 December 2021		150,000	263,759	-	13,179,284	13,593,043
Year ended 31 December 2022:						
Profit for the year		-	-	-	3,730,250	3,730,250
Other comprehensive income:						
Fair value adjustments reclassified to profit or loss		-	151,881	-	-	151,881
Tax relating to other comprehensive income		-	(37,910)	-	-	(37,910)
Total comprehensive income for the year		-	113,971	-	3,730,250	3,844,221
Dividends	10	-	-	-	(5,000,000)	(6,000,000)
Other movements		-	-	54,833	-	54,833
Balance at 31 December 2022		150,000	377,730	54,833	10,909,534	11,492,097

DISTINCTION DOORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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 Manufacturing Group Limited and the results of Distinction Doors Limited are included in the consolidated financial statements of Distinction Manufacturing Group Limited which are available from 36 Wentworth Industrial Estate, Wentworth Way, Tankersley, Barnsley, S75 3 DH.

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.

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.

DISTINCTION DOORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

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.

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.

DISTINCTION DOORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

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.

1.8 Cash and cash equivalents

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

1.9 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.

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 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 2022

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.

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 2022

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 Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Black Scholes model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions and under the modified terms and conditions are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

1.15 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.

1.16 Government grants

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

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

DISTINCTION DOORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

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

1.17 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

The preparation of financial information required management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates may differ from the related actual results.

There are no key judgements, estimates or assumptions that have been made by the directors in the preparation of these financial statements.

3 Turnover and other revenue

	2022	2021
	£	£
Turnover analysed by class of business		
Sale of goods	44,365,932	42,111,605

	2022	2021
	£	£
Turnover analysed by geographical market		
United Kingdom	42,595,591	40,041,611
Rest Of Europe	1,770,341	2,069,994
	44,365,932	42,111,605

	2022	2021
	£	£
Other revenue		
Grants received	17,725	11,808

4 Exceptional item

	2022	2021
	£	£
Expenditure		
Intercompany balance transfer	-	1,336,296

DISTINCTION DOORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

5 Operating profit

	2022	2021
	£	£
Operating profit for the year is stated after charging/(crediting):		
Exchange (gains)/losses	(1,898,658)	896,586
Government grants	(17,725)	(11,808)
Fees payable to the company's auditor for the audit of the company's financial statements	33,145	24,650
Depreciation of owned tangible fixed assets	304,376	50,715
Depreciation of tangible fixed assets held under finance leases	176,776	380,370
Profit on disposal of tangible fixed assets	-	(5,159)
Share-based payments	54,833	-
Operating lease charges	661,912	708,664
	=====	=====

6 Employees

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

	2022	2021
	Number	Number
Administration and Sales	71	58
Production	119	122
Total	=====	=====
	190	180

Their aggregate remuneration comprised:

	2022	2021
	£	£
Wages and salaries	6,665,324	5,782,056
Social security costs	591,877	475,880
Pension costs	222,613	176,620
	=====	=====
	7,479,814	6,434,556

7 Directors' remuneration

	2022	2021
	£	£
Remuneration for qualifying services	741,960	596,506
Company pension contributions to defined contribution schemes	28,913	20,958
	=====	=====
	770,873	617,464

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 5 (2021 - 4).

DISTINCTION DOORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

7 Directors' remuneration

(Continued)

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

	2022	2021
	£	£
Remuneration for qualifying services	260,605	210,000
Company pension contributions to defined contribution schemes	-	1,331
	=====	=====

8 Interest payable and similar expenses

	2022	2021
	£	£
Interest on bank overdrafts and loans	473,421	125,143
Interest on finance leases and hire purchase contracts	12,883	17,507
	=====	=====
	486,304	142,650
	=====	=====

9 Taxation

	2022	2021
	£	£
Current tax		
UK corporation tax on profits for the current period	697,459	497,205
Adjustments in respect of prior periods	(113,452)	(37,593)
	=====	=====
Total current tax	584,007	459,612
	=====	=====
Deferred tax		
Origination and reversal of timing differences	147,792	15,000
	=====	=====
Total tax charge	731,799	474,612
	=====	=====

DISTINCTION DOORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

9 Taxation

(Continued)

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:

	2022	2021
	£	£
Profit before taxation	4,462,049	2,165,541
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	847,789	411,453
Tax effect of expenses that are not deductible in determining taxable profit	17,701	233,349
Adjustments in respect of prior years	(113,452)	(37,593)
Group relief	(9,215)	-
Permanent capital allowances in excess of depreciation	(55,149)	(16,169)
Other permanent differences	-	(1,460)
Deferred tax not recognised	5,565	(148,115)
Change in deferred tax rates	38,560	33,147
Taxation charge for the year	731,799	474,612

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:

	2022	2021
	£	£
Deferred tax arising on:		
Revaluation of investments	37,910	212,413

10 Dividends

	2022	2021
	£	£
Final paid	6,000,000	85,714

DISTINCTION DOORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

11 Tangible fixed assets

	Land and buildings Leasehold	Plant and machinery	Fixtures, fittings & equipment	Computer equipment	Motor vehicles	Total
	£	£	£	£	£	£
Cost						
At 1 January 2022	162,420	2,578,471	745,449	467,519	17,750	3,971,609
Additions	183,916	909,257	250,935	16,937	-	1,361,045
At 31 December 2022	346,336	3,487,728	996,384	484,456	17,750	5,332,654
Depreciation and impairment						
At 1 January 2022	161,476	1,785,416	614,823	416,503	17,750	2,995,968
Depreciation charged in the year	9,327	374,885	71,770	25,170	-	481,152
At 31 December 2022	170,803	2,160,301	686,593	441,673	17,750	3,477,120
Carrying amount						
At 31 December 2022	175,533	1,327,427	309,791	42,783	-	1,855,534
At 31 December 2021	944	793,055	130,626	51,016	-	975,641

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

	2022 £	2021 £
Plant and machinery	217,466	652,930

12 Fixed asset investments

	Notes	2022 £	2021 £
Investments in subsidiaries	13	1	1

13 Subsidiaries

Details of the company's subsidiaries at 31 December 2022 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct
Axis Doors Limited	United Kingdom	Dormant	Ordinary	100.00
Fire Door Systems Limited	United Kingdom	Dormant	Ordinary	100.00

DISTINCTION DOORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

14 Financial instruments

	2022	2021
	£	£
Carrying amount of financial assets		
Instruments measured at fair value through profit or loss	503,641	351,760

15 Stocks

	2022	2021
	£	£
Finished goods and goods for resale	8,253,520	10,601,712

16 Debtors

	2022	2021
	£	£
Amounts falling due within one year:		
Trade debtors	5,539,632	5,863,535
Corporation tax recoverable	-	99,472
Amounts owed by group undertakings	10,055,279	10,055,163
Derivative financial instruments	503,641	351,760
Other debtors	-	19,066
Prepayments and accrued income	129,012	101,936
	16,227,564	16,490,932

17 Creditors: amounts falling due within one year

		2022	2021
	Notes	£	£
Obligations under finance leases	20	54,802	142,444
Other borrowings	19	5,779,535	5,846,670
Trade creditors		3,836,551	4,448,489
Amounts owed to group undertakings		362,630	-
Corporation tax		498,897	497,205
Other taxation and social security		1,230,336	1,375,949
Government grants	22	21,225	20,000
Other creditors		40,533	32,924
Accruals and deferred income		617,184	2,324,525
		12,441,693	14,688,206

Creditors falling due within one year on which security has been given by the company include invoice financing creditors of £nil (2021: £5,846,670). 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.

DISTINCTION DOORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

18 Creditors: amounts falling due after more than one year

	Notes	2022 £	2021 £
Obligations under finance leases	20	-	52,525
Other borrowings	19	2,533,959	-
Government grants	22	64,725	80,000
		<u>2,598,684</u>	<u>132,525</u>

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

19 Loans and overdrafts

	2022 £	2021 £
Other loans	8,313,494	5,846,670
	<u>8,313,494</u>	<u>5,846,670</u>
Payable within one year	5,779,535	5,846,670
Payable after one year	2,533,959	-
	<u>8,313,494</u>	<u>5,846,670</u>

Included in other loans is a bank loan of £3,333,333 which bears interest at the rate of 5.75% plus base rate per annum and is secured by a fixed and floating charge over all the present and future assets of Distinction Manufacturing Group Limited. The loan is repayable over 60 months.

Also included within other loans is invoice financing creditors of £4,480,161 and inventory facility of £500,000 which are secured by a legal charge over the assets of Distinction Manufacturing Group Limited.

20 Finance lease obligations

	2022 £	2021 £
Future minimum lease payments due under finance leases:		
Within one year	51,590	142,444
In two to five years	3,212	52,525
	<u>54,802</u>	<u>194,969</u>

DISTINCTION DOORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

21 Deferred taxation

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

	Liabilities 2022 £	Liabilities 2021 £
Balances:		
Accelerated capital allowances	200,500	77,000
Share based payments	(13,708)	-
Deferred tax on forward contracts through OCI	126,000	88,000
	<u>312,792</u>	<u>165,000</u>
		2022 £
Movements in the year:		
Liability at 1 January 2022		165,000
Charge to profit or loss		147,792
		<u>312,792</u>
		<u>312,792</u>

22 Government grants

	2022 £	2021 £
Arising from government grants	85,950	100,000
	<u>85,950</u>	<u>100,000</u>
Deferred income is included in the financial statements as follows:		
Current liabilities	21,225	20,000
Non-current liabilities	64,725	80,000
	<u>85,950</u>	<u>100,000</u>
	<u>85,950</u>	<u>100,000</u>

23 Retirement benefit schemes

	2022 £	2021 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	222,613	176,620
	<u>222,613</u>	<u>176,620</u>

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

DISTINCTION DOORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

24 Share-based payment transactions

	Number of share options		Weighted average exercise price	
	2022 Number	2021 Number	2022 £	2021 £
Outstanding at 1 January 2022	-	-	-	-
Granted	18,000	-	0.01	-
Exercised	(13,500)	-	0.01	-
Expired	(1,500)	-	0.01	-
	<u>3,000</u>	<u>-</u>	<u>0.01</u>	<u>-</u>
Outstanding at 31 December 2022	<u>3,000</u>	<u>-</u>	<u>0.01</u>	<u>-</u>
Exercisable at 31 December 2022	<u>3,000</u>	<u>-</u>	<u>0.01</u>	<u>-</u>

The options outstanding at 31 December 2022 had an exercise price of £0.01 and a remaining contractual life of 9 years and 1 month.

Liabilities and expenses

EMI Share options are awarded to key personnel to incentivise and encourage their long-term commitment to the group. Management is required to use an appropriate pricing model to value the issue of equity to employees or those providing similar services.

Fair value is measured by use of the Black-Scholes option pricing model with the value of each option considered separately at the date of grant. Any charge to the profit and loss account in respect of the options is a function of the model.

25 Share capital

	2022 Number	2021 Number	2022 £	2021 £
Ordinary share capital				
Issued and fully paid				
Ordinary shares of £1 each	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>

26 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.

27 Capital contribution reserve

Includes movements in the recognised value of share based payments as a result of EMI schemes operated by the ultimate controlling company, Distinction Manufacturing Group Limited, for employment services rendered to Distinction Doors Limited.

DISTINCTION DOORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

28 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:

	2022	2021
	£	£
Within one year	401,778	278,709
Between two and five years	1,270,140	820,405
In over five years	877,500	345,259
	<u>2,549,418</u>	<u>1,444,373</u>

29 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2022	2021
	£	£
Acquisition of tangible fixed assets	-	50,869
	<u>-</u>	<u>50,869</u>

30 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.

31 Ultimate controlling party

The parent company is Distinction Doors Holdings Limited. The ultimate parent company is Distinction Manufacturing Group Limited.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.