

Company Registration No. 05298340 (England and Wales)

DISTINCTION DOORS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

DISTINCTION DOORS LIMITED

COMPANY INFORMATION

Directors	A J Fowlds D M Walker C Roach H Lovak
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 2020

The directors present the strategic report for the year ended 31 December 2020.

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 2020 the Investors in People accreditation was retained.

Business Environment

The COVID outbreak resulted in an unprecedented lockdown of the vast parts of the worldwide economy which directly impacted on the UK fenestration industry.

The key business risks affecting the company in addition to the uncertainty in the economic environment are worldwide supply chain constraints and sterling exchange volatility.

Both raw materials and shipping containers have become harder to secure due to a surge in demand. Additionally, due to the ongoing worldwide uncertainty around COVID there remains a risk of a further lockdown within the supply chain, limiting the supply of stock. To mitigate this the company continues to invest in inventory, significantly increasing stock holding levels. Additionally, a robust forecasting system has been developed.

To protect against sterling volatility, a robust currency hedging policy is in place to minimise the impact of currency fluctuations.

Business Performance

2020 was a unique year for all businesses, the national lockdown resulted in closure of industry for several weeks. Government support through the furlough scheme helped support the company through this time, however this covered only a proportion of the cost base and as such losses were inevitably incurred.

Having achieved £37.9m sales in 2019 the budget expectation was an increase in sales to £40m a growth of 5.5%.

Since the gradual reopening of the fenestration industry, demand has been at record levels as consumer spending increased drastically. The wider strains on the supply chain limited the company's ability to meet the increase in market demand.

The external constraints imposed upon the company ultimately led to a loss-making position, although the performance outlook for 2021 and beyond remains positive with a return to normal profitability levels.

	2020 Actual	2019 Actual	2020 Pre COVID forecast
Turnover	£31.1m	£37.9m	£39.5m
Operating profit	-£0.5m	£2.36m	£3.13m
Operating profit %	-1.6%	6.2%	7.8%

DISTINCTION DOORS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Outlook

The company has adapted well to the new challenges arising from the COVID pandemic and continues to harness 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 current uncertain economic outlook.

The directors have considered the impact of COVID-19 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. The possible material impacts and the plans to mitigate them include, but are not limited to:

- Temporary cessation of supply – Built additional stock levels to manage a temporary pause in receipting product.
- Localised lock-down – Strict social distancing measures are in place across both sites to protect staff. Additionally, all office staff can work remotely.
- Cashflow pressures - Excellent relationships are maintained throughout the supply chain and with funders. The cash position is forward forecast for a rolling 24 months.

The directors have undertaken a comprehensive review of the 2021 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.

On behalf of the board

A J Fowlds
Director

15 September 2021

DISTINCTION DOORS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their annual report and financial statements for the year ended 31 December 2020.

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 8.

Ordinary dividends were paid amounting to £580,000. 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:

V M Brown	(Resigned 30 September 2020)
A J Fowlds	
D R Gomersall	(Resigned 19 August 2020)
D M Walker	
C Roach	
G Williams	(Resigned 31 January 2021)
H Lovak	

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 2020

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

15 September 2021

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 2020 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 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 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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.

DISTINCTION DOORS LIMITED

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

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.

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.

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, aided by audit technology. 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.

DISTINCTION DOORS LIMITED

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

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.

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

17 September 2021

Chartered Accountants
Statutory Auditor

2 Rutland Park
Sheffield
S10 2PD

DISTINCTION DOORS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	2019 £
Turnover	3	31,142,655	37,898,122
Cost of sales		(27,513,847)	(31,017,872)
Gross profit		3,628,808	6,880,250
Administrative expenses		(4,633,516)	(4,523,661)
Other operating income		509,510	-
Operating (loss)/profit	4	(495,198)	2,356,589
Interest receivable and similar income	7	813	422
Interest payable and similar expenses	8	(147,633)	(180,466)
(Loss)/profit before taxation		(642,018)	2,176,545
Tax on (loss)/profit	9	161,581	(308,121)
(Loss)/profit for the financial year		(480,437)	1,868,424
Other comprehensive income			
Fair value adjustments reclassified to profit or loss		(390,518)	(1,298,675)
Tax relating to other comprehensive income		66,387	220,775
Total comprehensive income for the year		(804,568)	790,524

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 2020

		2020		2019	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	11		996,828		1,193,175
Investments	12		1		1
			<u>996,829</u>		<u>1,193,176</u>
Current assets					
Stocks	15	4,428,045		7,370,630	
Debtors	16	18,482,247		17,314,343	
Cash at bank and in hand		395,354		338,785	
		<u>23,305,646</u>		<u>25,023,758</u>	
Creditors: amounts falling due within one year	17	(12,871,309)		(13,329,618)	
Net current assets			<u>10,434,337</u>		<u>11,694,140</u>
Total assets less current liabilities			<u>11,431,166</u>		<u>12,887,316</u>
Creditors: amounts falling due after more than one year	18		(252,524)		(323,106)
Provisions for liabilities	21		(62,000)		(63,000)
Net assets			<u><u>11,116,642</u></u>		<u><u>12,501,210</u></u>
Capital and reserves					
Called up share capital	24		150,000		150,000
Fair value reserve	25		(607,427)		(283,296)
Profit and loss reserves			<u>11,574,069</u>		<u>12,634,506</u>
Total equity			<u><u>11,116,642</u></u>		<u><u>12,501,210</u></u>

The financial statements were approved by the board of directors and authorised for issue on 15 September 2021 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 2020

		Share capital	Fair value reserve	Profit and loss reserves	Total
	Notes	£	£	£	£
Balance at 1 January 2019		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
Year ended 31 December 2020:					
Loss for the year		-	-	(480,437)	(480,437)
Other comprehensive income:					
Fair value adjustments reclassified to profit or loss		-	(390,518)	-	(390,518)
Tax relating to other comprehensive income		-	66,387	-	66,387
Total comprehensive income for the year		-	(324,131)	(480,437)	(804,568)
Dividends	10	-	-	(580,000)	(580,000)
Balance at 31 December 2020		150,000	(607,427)	11,574,069	11,116,642

DISTINCTION DOORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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.

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. Despite the loss in the year the company has had strong results since the year end and is showing positive forecasts for the next 12 months and beyond. 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.

DISTINCTION DOORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.4 Tangible fixed assets

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

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

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.

DISTINCTION DOORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

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.

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.

DISTINCTION DOORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

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.

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.

DISTINCTION DOORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Deferred tax

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

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 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.

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.

DISTINCTION DOORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.16 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.

During the year there was a change in accounting policy. Exchange gains or losses are now recognised within cost of sales rather than administrative expenses. This change has also been reflected in the prior year figures.

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

	2020	2019
	£	£
Turnover analysed by class of business		
Sale of goods	31,142,655	37,898,122
	=====	=====
	2020	2019
	£	£
Other significant revenue		
Interest income	813	422
Grants received	509,510	-
	=====	=====
	2020	2019
	£	£
Turnover analysed by geographical market		
United Kingdom	29,680,941	36,355,649
Rest Of Europe	1,461,714	1,542,473
	=====	=====
	31,142,655	37,898,122
	=====	=====

DISTINCTION DOORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

4 Operating (loss)/profit

	2020	2019
	£	£
Operating (loss)/profit for the year is stated after charging/(crediting):		
Exchange gains	(299,722)	(1,365,395)
Government grants	(509,510)	-
Fees payable to the company's auditor for the audit of the company's financial statements	15,850	8,500
Depreciation of owned tangible fixed assets	181,564	195,696
Depreciation of tangible fixed assets held under finance leases	286,680	238,215
Operating lease charges	486,691	492,297
	=====	=====

5 Employees

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

	2020	2019
	Number	Number
Administration and Sales	59	60
Production	101	93
	=====	=====
Total	160	153
	=====	=====

Their aggregate remuneration comprised:

	2020	2019
	£	£
Wages and salaries	4,238,662	3,919,023
Social security costs	350,727	314,558
Pension costs	173,076	137,617
	=====	=====
	4,762,465	4,371,198
	=====	=====

6 Directors' remuneration

	2020	2019
	£	£
Remuneration for qualifying services	510,747	379,348
Company pension contributions to defined contribution schemes	29,378	13,333
Compensation for loss of office	30,000	-
	=====	=====
	570,125	392,681
	=====	=====

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 4 (2019 - 5).

DISTINCTION DOORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

6 Directors' remuneration

(Continued)

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

	2020	2019
	£	£
Remuneration for qualifying services	104,597	117,329
Company pension contributions to defined contribution schemes	8,828	5,000
	<u>113,425</u>	<u>122,329</u>

7 Interest receivable and similar income

	2020	2019
	£	£
Interest income		
Other interest income	813	422
	<u>813</u>	<u>422</u>

8 Interest payable and similar expenses

	2020	2019
	£	£
Interest on bank overdrafts and loans	129,867	166,158
Interest on finance leases and hire purchase contracts	17,766	14,308
	<u>147,633</u>	<u>180,466</u>

DISTINCTION DOORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

9 Taxation

	2020	2019
	£	£
Current tax		
UK corporation tax on profits for the current period	(66,127)	263,475
Adjustments in respect of prior periods	(94,454)	42,646
Total current tax	<u>(160,581)</u>	<u>306,121</u>
Deferred tax		
Origination and reversal of timing differences	<u>(1,000)</u>	<u>2,000</u>
Total tax (credit)/charge	<u>(161,581)</u>	<u>308,121</u>

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

	2020	2019
	£	£
(Loss)/profit before taxation	<u>(642,018)</u>	<u>2,176,545</u>
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	(121,983)	413,544
Tax effect of expenses that are not deductible in determining taxable profit	4,785	9,705
Tax effect of income not taxable in determining taxable profit	(126)	-
Tax effect of utilisation of tax losses not previously recognised	96,949	-
Adjustments in respect of prior years	(94,454)	42,646
Group relief	-	(157,533)
Deferred tax not recognised	(54,192)	(5)
Change in deferred tax rates	7,440	(236)
Taxation (credit)/charge for the year	<u>(161,581)</u>	<u>308,121</u>

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

	2020	2019
	£	£
Deferred tax arising on:		
Fair value adjustments	<u>(66,387)</u>	<u>(220,775)</u>

DISTINCTION DOORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

10 Dividends

	2020	2019
	£	£
Final paid	580,000	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 2020	162,420	2,104,301	597,553	407,790	17,750	3,289,814
Additions	-	206,603	26,008	39,286	-	271,897
At 31 December 2020	162,420	2,310,904	623,561	447,076	17,750	3,561,711
Depreciation and impairment						
At 1 January 2020	141,361	1,087,903	543,096	306,529	17,750	2,096,639
Depreciation charged in the year	16,357	351,877	30,413	69,597	-	468,244
At 31 December 2020	157,718	1,439,780	573,509	376,126	17,750	2,564,883
Carrying amount						
At 31 December 2020	4,702	871,124	50,052	70,950	-	996,828
At 31 December 2019	21,059	1,016,398	54,457	101,261	-	1,193,175

The carrying value of land and buildings comprises:

	2020	2019
	£	£
Short leasehold	4,702	21,059

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

	2020	2019
	£	£
Plant and machinery	633,085	759,289
Fixtures, fittings & equipment	9,561	34,457
	642,646	793,746
Depreciation charge for the year in respect of leased assets	286,680	238,215

DISTINCTION DOORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

12 Fixed asset investments

	Notes	2020 £	2019 £
Investments in subsidiaries	13	1	1

13 Subsidiaries

Details of the company's subsidiaries at 31 December 2020 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

14 Financial instruments

	2020 £	2019 £
Carrying amount of financial liabilities		
Measured at fair value through profit or loss		
- Other financial liabilities	731,839	341,321

15 Stocks

	2020 £	2019 £
Finished goods and goods for resale	4,428,045	7,370,630

16 Debtors

	2020 £	2019 £
Amounts falling due within one year:		
Trade debtors	5,538,303	5,472,321
Corporation tax recoverable	194,179	84,606
Amounts owed by group undertakings	12,484,399	11,399,590
Other debtors	53,583	57,739
Prepayments and accrued income	87,370	242,062
	18,357,834	17,256,318
Deferred tax asset (note 22)	124,413	58,025
	18,482,247	17,314,343

DISTINCTION DOORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

17 Creditors: amounts falling due within one year

	Notes	2020 £	2019 £
Obligations under finance leases	20	195,800	221,876
Other borrowings	19	5,260,954	7,889,343
Trade creditors		5,512,554	4,444,665
Corporation tax		33,448	74,850
Other taxation and social security		557,392	126,343
Derivative financial instruments		731,839	341,321
Other creditors		77,235	26,740
Accruals and deferred income		502,087	204,480
		<u>12,871,309</u>	<u>13,329,618</u>

Secured Creditors

Creditors falling due within one year on which security has been given by the company include invoice financing creditors of £5,260,954 (2019: £7,889,343). 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	2020 £	2019 £
Obligations under finance leases	20	252,524	323,106
		<u>252,524</u>	<u>323,106</u>

Secured Creditors

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

19 Other borrowings

	2020 £	2019 £
Asset backed lending facility	5,260,954	7,889,343
	<u>5,260,954</u>	<u>7,889,343</u>
Payable within one year	5,260,954	7,889,343
	<u>5,260,954</u>	<u>7,889,343</u>

DISTINCTION DOORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

20 Finance lease obligations

	2020 £	2019 £
Future minimum lease payments due under finance leases:		
Within one year	195,800	221,877
In two to five years	252,524	323,105
	<u>448,324</u>	<u>544,982</u>

21 Provisions for liabilities

	2020 £	2019 £
Deferred tax liabilities	22 62,000	63,000
	<u>62,000</u>	<u>63,000</u>

22 Deferred taxation

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

	Liabilities 2020 £	Liabilities 2019 £	Assets 2020 £	Assets 2019 £
Balances:				
Accelerated capital allowances	62,000	63,000	-	-
Deferred tax on forward contracts through OCI	-	-	124,413	58,025
	<u>62,000</u>	<u>63,000</u>	<u>124,413</u>	<u>58,025</u>
				2020 £
Movements in the year:				
Liability at 1 January 2020				4,975
Credit to other comprehensive income				(67,388)
Asset at 31 December 2020				<u>(62,413)</u>

DISTINCTION DOORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

23 Retirement benefit schemes

	2020	2019
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	173,076	137,617

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

	2020	2019	2020	2019
	Number	Number	£	£
Ordinary share capital				
Issued and fully paid				
Ordinary shares of £1 each	150,000	150,000	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:

	2020	2019
	£	£
Within one year	222,182	520,594
Between two and five years	747,823	771,107
In over five years	525,394	705,529
	1,495,399	1,997,230

27 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2020	2019
	£	£
Acquisition of tangible fixed assets	46,916	135,960

DISTINCTION DOORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

28 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.

29 Directors' transactions

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

Description	% Rate	Opening balance	Amounts repaid	Closing balance
		£	£	£
D M Walker -	-	2,400	(1,600)	800
G Williams -	-	35,000	-	35,000
		<u>37,400</u>	<u>(1,600)</u>	<u>35,800</u>

30 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.

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.