

Company registration number 02772287 (England and Wales)

AFFORDABLE WINDOW SYSTEMS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022



AFFORDABLE WINDOW SYSTEMS LIMITED

COMPANY INFORMATION

Directors	P Cocker E Gaughan M Gaughan A Hoop K Mageean L S G Myers N Stanton
Secretary	M Gaughan
Company number	02772287
Registered office	Affordable Business Centre Beacon Road Poulton Business Park Poulton-le-Fylde Lancashire FY6 8JE
Auditor	Jackson Stephen LLP James House Stonecross Business Park Yew Tree Way Warrington Cheshire WA3 3JD
Business address	Affordable Business Centre Beacon Road Poulton Business Park Poulton-le-Fylde Lancashire FY6 8JE
Bankers	Lloyds Bank plc Merchants Court 2-12 Lord Street Liverpool Merseyside L2 1TS

AFFORDABLE WINDOW SYSTEMS LIMITED

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AFFORDABLE WINDOW SYSTEMS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2022

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

Fair review of the business

During the year the company has increased its turnover by 32% to £22.3m (2021: £16.9m). Gross profit increased to £6.3m (2021: £4.0m).

At the year end the company had shareholders' funds of £3.6m (2021: £1.8m). The directors therefore consider the company's position to be satisfactory.

Following the national lockdown on 23 March 2020, the company had to close its doors for a period of time. This resulted in the company not being able to count the stock it held at the year end, resulting in a qualified audit report - see further details as noted in the auditor's report.

Although the spring and summer of 2020 were exceptional, as the nation was put into lockdown, the company performed well, once the restrictions were lifted, with the order book being full. The directors believe that the quality of their products and services will help to see continued growth and satisfactory trading results going forward.

Principal risks and uncertainties

In terms of financial risk management the company considers that it has limited exposure to the various aspects of financial risk. All of the company's revenue is invoiced in sterling and all of its operations and costs arise within the UK. The company ensures its liquidity is maintained by entering into long term and short term financial instruments as necessary to support operational and other funding requirements.

The company has worked hard to ensure that the impact of Brexit is limited, with product availability being the area under close review.

Key performance indicators

The directors use the following key performance indicators to assess the company's activity:

	2022	2021	%change	
Turnover (£000)	22,327	16,863	32	
Gross profit margin (%)	28	24	4	(absolute)
Profit before tax (£000)	2,801	1,738	61	
Net current assets (£000)	2,725	1,339	103	
Net assets (£000)	3,618	1,797	101	

On behalf of the board



E Gaughan
Director

22 December 2022

AFFORDABLE WINDOW SYSTEMS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2022

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

Results and dividends

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

Ordinary dividends were paid amounting to £400,000. The directors do not recommend payment of a final dividend.

Directors

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

P Cocker
E Gaughan
M Gaughan
A Hoop
K Mageean
L S G Myers
N Stanton

Disabled persons

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

Employee involvement

The company's policy is to consult and discuss with employees at meetings, matters likely to affect employees' interests.

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

Auditor

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

AFFORDABLE WINDOW SYSTEMS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

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.

Strategic report

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

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



E Gaughan
Director

22 December 2022

AFFORDABLE WINDOW SYSTEMS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AFFORDABLE WINDOW SYSTEMS LIMITED

Qualified opinion

We have audited the financial statements of Affordable Window Systems Limited (the 'company') for the year ended 31 March 2022 which comprise the statement of income and retained earnings, the balance sheet 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, except for the possible effects on the corresponding figures of the matter described in the basis for qualified opinion section of our report, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 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 qualified opinion

Following the introduction of a national lock-down on 23 March 2020 in response to the Coronavirus pandemic, management was unable to count and we were unable to observe the counting of physical inventories at the end of that year. We were unable to satisfy ourselves by alternative means concerning the inventory held at 31 March 2020, which was included in the balance sheet at £3,396,399, by using other audit procedures. Consequently, we were unable to determine whether there was any consequential effect on the cost of sales for the year ended 31 March 2021. Our opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures. In addition, were any adjustment to the inventory balance to be required, the strategic report would also need to be amended.

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 qualified 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.

AFFORDABLE WINDOW SYSTEMS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF AFFORDABLE WINDOW SYSTEMS LIMITED

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.

As described in the basis for qualified opinion section of our report, we were unable to satisfy ourselves concerning the inventory quantities of £3,396,399 held at 31 March 2020. We have concluded that where the other information refers to that inventory balance or related balances, such as cost of sales for the previous year, it may be materially misstated for the same reason.

Qualified opinions on other matters prescribed by the Companies Act 2006

Except for the possible effects of the matter described in the basis for qualified opinion section of our report, 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

Except for the matter described in the basis for qualified opinion section of our report, 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 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:

- 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.

Arising solely from the limitation on the scope of our work relating to inventory, referred to above:

- We have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- We were unable to determine whether adequate accounting records have been kept.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement included within the directors' report, 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.

AFFORDABLE WINDOW SYSTEMS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF AFFORDABLE WINDOW SYSTEMS LIMITED

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.

Based on our understanding of the company and sector, we identified that the principal risks of non-compliance with laws and regulations related to, but were not limited to, the Companies Act 2006, UK tax, employment, pension and health and safety legislation and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to management bias in accounting estimates and judgements and the risk of fraudulent revenue recognition.

Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management about actual and potential litigation and claims, their policies and procedures to prevent and detect fraud as well as whether they have knowledge of any actual, suspected or alleged fraud;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance;
- obtaining an understanding of provisions and holding discussions with management to understand the basis of recognition or non-recognition of tax provisions; and
- in addressing the risk of fraud through management override of controls: testing the appropriateness of journal entries; assessing whether the accounting estimates, judgements and decisions made by management are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any. Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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.

AFFORDABLE WINDOW SYSTEMS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF AFFORDABLE WINDOW SYSTEMS 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.



Christopher Moss BSc F.C.A. (Senior Statutory Auditor)
For and on behalf of Jackson Stephen LLP

24/12/2022

Chartered Accountants
Statutory Auditor

James House
Stonecross Business Park
Yew Tree Way
Warrington
Cheshire
WA3 3JD

AFFORDABLE WINDOW SYSTEMS LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 £	2021 £
Turnover	3	22,326,815	16,863,299
Cost of sales		(16,041,791)	(12,855,137)
Gross profit		6,285,024	4,008,162
Distribution costs		(867,341)	(639,836)
Administrative expenses		(2,625,158)	(1,690,669)
Other operating income		13,021	59,843
Operating profit	4	2,805,546	1,737,500
Interest receivable and similar income	8	-	621
Interest payable and similar expenses	9	(4,553)	(494)
Profit before taxation		2,800,993	1,737,627
Tax on profit	10	(579,281)	(283,554)
Profit for the financial year		2,221,712	1,454,073
Retained earnings brought forward		1,785,083	1,816,010
Dividends	11	(400,000)	(1,485,000)
Retained earnings carried forward		3,606,795	1,785,083

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

AFFORDABLE WINDOW SYSTEMS LIMITED

BALANCE SHEET

AS AT 31 MARCH 2022

	Notes	2022 £	£	2021 £	£
Fixed assets					
Tangible assets	12		1,253,601		815,778
Current assets					
Stocks	13	1,699,923		1,116,233	
Debtors	14	5,510,130		4,435,396	
Investments	15	1		1	
Cash at bank and in hand		432,255		2,380	
		<u>7,642,309</u>		<u>5,554,010</u>	
Creditors: amounts falling due within one year	16	<u>(4,916,836)</u>		<u>(4,214,937)</u>	
Net current assets			<u>2,725,473</u>		<u>1,339,073</u>
Total assets less current liabilities			<u>3,979,074</u>		<u>2,154,851</u>
Creditors: amounts falling due after more than one year	17		(162,500)		(216,667)
Provisions for liabilities	18		<u>(198,279)</u>		<u>(141,601)</u>
Net assets			<u><u>3,618,295</u></u>		<u><u>1,796,583</u></u>
Capital and reserves					
Called up share capital	20		11,000		11,000
Capital redemption reserve	21		500		500
Profit and loss reserves	21		<u>3,606,795</u>		<u>1,785,083</u>
Total equity			<u><u>3,618,295</u></u>		<u><u>1,796,583</u></u>

The financial statements were approved by the board of directors and authorised for issue on 22 December 2022 and are signed on its behalf by:



E Gaughan
Director

Company Registration No. 02772287

AFFORDABLE WINDOW SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

Company information

Affordable Window Systems Limited is a private company limited by shares incorporated in England and Wales. The registered office is Affordable Business Centre, Beacon Road, Poulton Business Park, Poulton-le-Fylde, Lancashire, FY6 8JE.

1.1 Accounting convention

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

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

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

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

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Affordable Aluminium Limited. These consolidated financial statements are available from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

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 represents amounts receivable for manufactured double glazing goods dispatched by the balance sheet date, net of VAT and trade discounts.

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, net of depreciation and any impairment losses.

AFFORDABLE WINDOW SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

(Continued)

Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Leasehold land and buildings	2% per annum straight line basis
Plant and machinery	10% - 15% per annum straight line basis
Fixtures, fittings & equipment	15% - 25% per annum straight line basis
Motor vehicles	25% per annum reducing balance basis
Assets under construction	Not depreciated

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

1.5 Impairment of fixed assets

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

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.

1.6 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.

1.7 Cash and cash equivalents

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

1.8 Financial instruments

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

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

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

AFFORDABLE WINDOW SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

(Continued)

Basic financial assets

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

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.

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.

Derecognition of financial liabilities

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

AFFORDABLE WINDOW SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

(Continued)

1.9 Equity instruments

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

1.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

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

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.11 Employee benefits

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

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

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

1.12 Retirement benefits

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

1.13 Leases

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

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

AFFORDABLE WINDOW SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

(Continued)

1.14 Government grants

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

Government grants relating to turnover are recognised as income over the periods when the related costs are incurred. Grants relating to an asset are recognised in income systematically over the asset's expected useful life. If part of such a grant is deferred it is recognised as deferred income rather than being deducted from the asset's carrying amount.

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.

Key sources of estimation uncertainty

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

Useful lives of tangible fixed assets

The useful economic lives of the company's tangible fixed assets are reviewed on an annual basis by the directors.

3 Turnover and other revenue

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

	2022 £	2021 £
Turnover analysed by class of business		
Manufacture and supply of double glazing	22,326,815	16,863,299
	<u>22,326,815</u>	<u>16,863,299</u>
	2022 £	2021 £
Turnover analysed by geographical market		
United Kingdom	22,326,815	16,863,299
	<u>22,326,815</u>	<u>16,863,299</u>
	2022 £	2021 £
Other revenue		
Interest income	-	621
Grants received	1,021	59,843
Rent received	12,000	-
	<u>13,021</u>	<u>60,464</u>

AFFORDABLE WINDOW SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

4 Operating profit

	2022	2021
	£	£
Operating profit for the year is stated after charging/(crediting):		
Government grants	(1,021)	(59,843)
Depreciation of owned tangible fixed assets	110,139	143,568
Operating lease charges	324,000	324,000

5 Auditor's remuneration

	2022	2021
	£	£
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	11,608	11,380
For other services		
Other taxation services	6,250	9,612
All other non-audit services	1,830	80
	8,080	9,692

6 Employees

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

	2022	2021
	Number	Number
Production	219	188
Administrative	50	45
Management	4	4
Directors	7	7
Total	280	244

Their aggregate remuneration comprised:

	2022	2021
	£	£
Wages and salaries	8,167,594	6,249,504
Social security costs	770,357	630,916
Pension costs	267,320	203,984
	9,205,271	7,084,404

AFFORDABLE WINDOW SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

7 Directors' remuneration

	2022 £	2021 £
Remuneration for qualifying services	288,919	158,153
Company pension contributions to defined contribution schemes	121,488	126,900
	<u>410,407</u>	<u>285,053</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2021 - 3).

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

	2022 £	2021 £
Remuneration for qualifying services	100,766	65,516
Company pension contributions to defined contribution schemes	40,505	-
	<u>141,271</u>	<u>65,516</u>

8 Interest receivable and similar income

	2022 £	2021 £
Interest income		
Interest on bank deposits	-	621
	<u>-</u>	<u>621</u>

9 Interest payable and similar expenses

	2022 £	2021 £
Interest on finance leases and hire purchase contracts	-	494
Other interest	4,553	-
	<u>4,553</u>	<u>494</u>

10 Taxation

	2022 £	2021 £
Current tax		
UK corporation tax on profits for the current period	520,233	357,942
Adjustments in respect of prior periods	2,370	(51,002)
	<u>522,603</u>	<u>306,940</u>
Total current tax	<u>522,603</u>	<u>306,940</u>

AFFORDABLE WINDOW SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

10	Taxation	(Continued)	
		2022 £	2021 £
	Deferred tax		
	Origination and reversal of timing differences	56,678	(23,386)
		<u>56,678</u>	<u>(23,386)</u>
	Total tax charge	<u>579,281</u>	<u>283,554</u>

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

	2022 £	2021 £
Profit before taxation	2,800,993	1,737,627
	<u>2,800,993</u>	<u>1,737,627</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	532,189	330,149
Tax effect of expenses that are not deductible in determining taxable profit	1,700	2,932
Adjustments in respect of prior years	2,370	(49,527)
Change in deferred tax rate	48,011	-
Super deductions	(4,989)	-
	<u>579,281</u>	<u>283,554</u>
Taxation charge for the year	579,281	283,554

A UK corporation tax rate of 25% was announced in the Chancellor's Budget of 3 March 2021, along with a temporary extension to the loss carry-back rules allowing up to £2m of tax losses to be carried back to the preceding 3 periods. The 25% rate will apply from 1 April 2023 and the carry-back of losses is expected to apply to year ends 31 December 2020 and 31 December 2021.

11	Dividends	2022 £	2021 £
	Interim paid	400,000	1,485,000
		<u>400,000</u>	<u>1,485,000</u>

AFFORDABLE WINDOW SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

12 Tangible fixed assets

	Leasehold land and buildings	Assets under construction	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£	£
Cost						
At 1 April 2021	306,124	-	587,663	8,596	442,244	1,344,627
Additions	14,013	396,440	-	73,509	64,000	547,962
At 31 March 2022	320,137	396,440	587,663	82,105	506,244	1,892,589
Depreciation and impairment						
At 1 April 2021	24,488	-	227,621	1,289	275,451	528,849
Depreciation charged in the year	6,823	-	59,066	2,639	41,611	110,139
At 31 March 2022	31,311	-	286,687	3,928	317,062	638,988
Carrying amount						
At 31 March 2022	288,826	396,440	300,976	78,177	189,182	1,253,601
At 31 March 2021	281,636	-	360,042	7,307	166,793	815,778

13 Stocks

	2022 £	2021 £
Raw materials and consumables	1,529,440	883,789
Finished goods and goods for resale	170,483	232,444
	<u>1,699,923</u>	<u>1,116,233</u>

14 Debtors

	2022 £	2021 £
Amounts falling due within one year:		
Trade debtors	2,588,505	2,516,312
Amounts owed by group undertakings	2,702,326	1,671,807
Other debtors	115,072	16,698
Prepayments and accrued income	104,227	230,579
	<u>5,510,130</u>	<u>4,435,396</u>

AFFORDABLE WINDOW SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

15 Current asset investments

	2022 £	2021 £
Investments in subsidiaries	1	1

Shares in subsidiary undertakings represent an investment in 100% of the share capital of AWS (Corporate Trustee) Limited, a non-trading company. Its capital and reserves as at 31 January 2022 were £1.

16 Creditors: amounts falling due within one year

	2022 £	2021 £
Notes		
Bank loans and overdrafts	50,000	80,234
Trade creditors	1,802,112	1,935,511
Amounts owed to group undertakings	1,608,125	1,208,125
Corporation tax	357,515	234,491
Other taxation and social security	171,834	192,086
Other creditors	758,889	396,129
Accruals and deferred income	168,361	168,361
	<u>4,916,836</u>	<u>4,214,937</u>

17 Creditors: amounts falling due after more than one year

	2022 £	2021 £
Notes		
Bank loans	162,500	216,667

The loan is secured by way of a fixed and floating charges over the assets of the company.

Amounts included above which fall due after five years are as follows:

Payable by instalments	-	25,000
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18 Deferred taxation

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

	Liabilities 2022 £	Liabilities 2021 £
Balances:		
Accelerated capital allowances	<u>198,279</u>	<u>141,601</u>

AFFORDABLE WINDOW SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

18 Deferred taxation

(Continued)

	2022 £
Movements in the year:	
Liability at 1 April 2021	141,601
Charge to profit or loss	8,667
Effect of change in tax rate - profit or loss	48,011
Liability at 31 March 2022	<u>198,279</u>

The deferred tax liability set out above is expected to reverse within 5 years and relates to accelerated capital allowances that are expected to mature within the same period.

19 Retirement benefit schemes

	2022 £	2021 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>267,320</u>	<u>203,984</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.

20 Share capital

	2022 Number	2021 Number	2022 £	2021 £
Ordinary share capital				
Issued and fully paid				
11,000 'A' Ordinary shares of £1 each	<u>11,000</u>	<u>11,000</u>	<u>11,000</u>	<u>11,000</u>

21 Reserves

Capital redemption reserve - represents the nominal value of shares returned to the company.

Profit and loss account - includes all current and prior period retained profits and losses, net of distributions to shareholders.

22 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	324,000	324,000
Between two and five years	1,072,000	1,184,000
In over five years	<u>2,814,333</u>	<u>3,026,333</u>
	<u>4,210,333</u>	<u>4,534,333</u>

AFFORDABLE WINDOW SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

23 Ultimate controlling party

The company's immediate controlling party and ultimate parent company is Affordable Aluminium Limited, a company registered in England and Wales.

Affordable Aluminium Limited prepares consolidated financial statements and copies can be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

The company's ultimate controlling party is The Affordable 21st Century Employee Ownership Trust.