

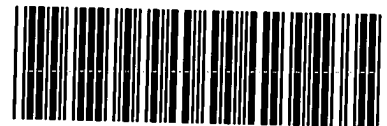
Registration number: 01882722

Kingspan Insulation Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2022

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Kingspan Insulation Limited

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Kingspan Insulation Limited

Company Information

Directors	Alan Lawlor Ian McAuliffe Carina Elizabeth Hillman Aiveen Kearney
Company secretary	Kingspan Group Limited
Registered office	Pembridge Leominster Herefordshire England HR6 9LA
Solicitors	Eversheds Sutherland 1 Callaghan Square Cardiff CF10 5BT United Kingdom
Bankers	National Westminster Bank plc
Auditor	Ernst & Young Chartered Accountants EY Building Harcourt Centre Harcourt Street Dublin 2 Ireland

Kingspan Insulation Limited

Strategic Report for the Year Ended 31 December 2022

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

For some time now, we have been pursuing the following strategy:

- Conversion from traditional insulation and building techniques to high performance solutions.
- Innovating within our space to consistently maintain a competitive edge.

The delivery of these objectives, within the scope of a conservatively managed balance sheet which has served the Company and wider Kingspan Group well, will remain the focus of our execution for the foreseeable future.

Fair review of the business

The Company, consistent with the rest of the industry globally, experienced significant supply-side inflationary pressure throughout the period across materials, labour, energy and logistics. The Company implemented revised pricing strategies in an attempt to recover costs, but strong levels of competition, particularly in the PIR Insulation market where capacity has increased, resulted in a decline in sales volume in an attempt to hold margins. The Company expects inflationary pressures to continue into 2023 due to a combination of continuing industry specific factors coupled with the macroeconomic events stemming from Russia's invasion of Ukraine.

Insulation Board sales in the UK performed well in the first half of 2022 but the business has been under pressure from significant raw material, energy and transport cost price increases, as well as an increased capacity in the market. Despite this the business is well placed to overcome these challenges through innovation and development. The business launched new products into the market in 2022, including Optim-R E and the acquisition of Calostat, with further developments launching in 2023, including a new Cavity Barrier and a partnership with AquaTrace.

The Company is a core participant in the Grenfell Tower Inquiry and is committed to supporting the Inquiry and other regulatory authorities with their investigations. The Phase 1 report of the Inquiry completed in October 2019 and concluded that PE Cored ACM was the principal cause of the fire spread on the tower. Phase 2 of the Inquiry, which commenced in January 2020, is expected to be completed and its report published in 2023.

Results

The Company's profit for the year, after taxation, amounted to £2,191,446 (2021: profit of £16,470,747).

The balance of the profit for the year amounting to £2,191,446 will be added to reserves and carried forward to the following year.

The Company's key financial and other performance indicators during the year were as follows:

Financial KPIs	Unit	2022	2021
Gross Profit Margin	%	22.86	29.84
Trading Profit Margin	%	1.22	8.68
Return on Capital Employed	%	3.77	23.70
Return on Equity	%	4.14	25.13

The Company recorded an impairment to its investment in Ecotherm Insulation (UK) Limited of £4,330,923 in the year. This had a negative impact on Financial KPIs.

In addition, margins were lower due to increases in input costs and a lag in recovery through sales prices. Capacity increases within the PIR Insulation market has increased competition and reduced sales volumes. There has been a significant investment in quality and compliance, which are expected to provide a return over the coming years.

Kingspan Insulation Limited

Strategic Report for the Year Ended 31 December 2022 (continued)

Some non-financial key performance indicators for the Company are set out below:

	2022	2021
Employee numbers	690	615
Days lost due to accidents	49	3
Total waste in tonnes	2,436	2,804
Percentage of waste recycled/reused	15	12

Future developments

We remain focused on delivering our innovation and product development agenda, extending and consolidating our global footprint and improving returns on capital. The Company is well placed for the year ahead.

SECTION 172 - HOW THE DIRECTORS HAVE PERFORMED THEIR DUTY TO PROMOTE THE SUCCESS OF THE COMPANY FOR THE BENEFIT OF ITS MEMBERS AS A WHOLE

In compliance with sections 172 and 414CZA of the UK Companies Act 2006, the directors make the following statement in relation to the year ended 31 December 2022:

(I) Stakeholders

The Board of Directors recognise that in order for the Company to meet its responsibilities to stakeholders, the Board should ensure effective engagement with, and encourage participation from, these parties. The Board is actively engaged with key stakeholders through a variety of mechanisms and will set out below how it has engaged with owners, customers, suppliers and our communities. The Board is also aware of the importance of engagement with the workforce on the development of strategy as well as on the uncovering of risk and promoting new opportunities and will also discuss engagement with employees below.

Owners

The Company's ultimate parent is Kingspan Group plc ("The Group"). The Group has established a number of policies that set out the operational framework for the Board. The Board are committed to ensuring that the Company complies with these Group policies. These include:

- o The Group Accounting Manual
- o The Group Anti-Bribery and Corruption Policy
- o The Group Code of Conduct
- o The Group Share Dealing Policy
- o The Group Treasury Manual
- o The Group Global Sanctions Policy

Customers

Our Customer Experience Programme is all about capturing what, how and why our customers experience the things they do.

During 2022, the Group received feedback from over 14,500 customers, from over 90 countries through the Net Promoter Score (NPS) programme that was launched during 2018. As customer experience becomes more important in a digital world our feedback programme gives us a means to hear what our customers have to say about their experience with us, keeps our finger on the pulse and provides insights to develop and drive new digital technologies to help make meaningful change happen.

Kingspan Insulation Limited

Strategic Report for the Year Ended 31 December 2022 (continued)

Suppliers

Kingspan continues to develop its ethical and environmental strategy for procuring materials and services. We seek to build and maintain long term relationships with key suppliers and contractors to ensure that they are aligned to the same goals and standards as Kingspan, to address strategic global issues, emerging trends and ultimately our customer needs. This approach is built on core social, ethical and environmental standards. In all cases we aim to foster an environment of collaboration. In 2022, we adopted and published our Group Supplier Policy which sets out our expectations of suppliers in terms of business practices and integrity, ethical employment practices, anti-corruption and bribery and environmental responsibility.

During 2020, the Group announced its Planet Passionate programme which is the Group's ambitious sustainability programme that aims to significantly reduce the Company's environmental impact as it continues to grow its business whilst also enhancing the environmental benefits of its products. There are 12 targets set out in the programme, one of which is a 50% reduction in product CO2 intensity from its primary supply partners by 2030.

In line with The Modern Slavery Act 2015, Kingspan is fully committed to ensuring that modern slavery is not taking place in our business or any of our supply chains and is responsible for ensuring supplier compliance with the legislation.

Communities

The directors recognise that it is important that our business has the flexibility to support initiatives which are relevant to the local workforce and to the communities in which they operate and the directors welcome engagement with the community and local charities. We do this in a number of ways – through sport sponsorships, community funding, community volunteering and through partnerships with schools and colleges.

Employees

The directors are committed to ensuring that the necessary procedures are in place to attract, develop and retain the skill levels needed to achieve the Company's strategic goals. The Company actively engages with employees through performance reviews, training and targeted career development programmes.

The Kingspan Group plc Code of Conduct sets out clear expectations for all employees with respect to clear, ethical and honest business communications, together with compliance with the law. Employees are actively encouraged to speak out if they experience instances that are not in keeping with our Code of Conduct. The Company also employs a comprehensive, confidential and independent whistleblowing phone service to allow all employees to raise their concerns about their working environment and business practices. This service then allows management and employees to work together to address any instances of fraud, abuse and other misconduct in the workplace.

In addition, in 2021 Kingspan Group plc launched a groupwide employee engagement survey to foster a deeper dialogue on a broad range of issues including culture, vision, health & well-being, and training & development. This process of engagement allows the directors to consistently assess and monitor the evolution of the Company's corporate culture, while promoting the ability of the workforce to raise concerns.

Kingspan Insulation Limited

Strategic Report for the Year Ended 31 December 2022 (continued)

(II) Principal Decisions

We define principal decisions as both those that are material to the Company but also those that are significant to any of our key stakeholders. In making the following principal decisions the directors considered the outcome from its stakeholder engagement as well as the need to maintain a reputation for high standards of business conduct and the need to act fairly between members of the Company.

1. Approved the Annual Budget and Three year Strategic Plan

- The Directors approved a budget and three year strategic plan that set targets for 2023, 2024, 2025 and 2026 taking into account growth opportunities in key markets.
- The Directors considered the impact of the challenge on employees' ability to achieve the targets as well as the market conditions in which the Company operates and concluded that the targets were reasonable and in line with shareholders' expectations.

2. Approved the Dividend Distribution

- The Directors decided to pay a total dividend of £14,500,010 in the year.
- The Directors took into account whether it would adversely impact the on-going strategic investment considered critical to the long-term success of the Company and achievement of our strategic objectives and concluded it would not in light of the strong cash position of the Company net of the dividend payment.

Kingspan Insulation Limited

Strategic Report for the Year Ended 31 December 2022 (continued)

Principal risks and uncertainties

The directors confirm that the Company's on-going process for identifying, evaluating and managing its significant risks is in accordance with best practice guidance. The process has been in place throughout the accounting period and up to the date of approval of the financial statements and is regularly reviewed by the Board. In particular, the principal risks include:

Volatility in the macro environment

The Company's products are targeted at both the residential and non-residential (including retail, commercial, public sector and high rise offices) construction sectors. As a result, demand is dependent on activity levels which may vary by sector and is subject to the usual drivers of construction activity (i.e. general economic conditions and volatility, Brexit, pandemics, political uncertainty and wars in some regions, interest rates, business/consumer confidence levels, supply chain disruption, unemployment and population growth). While construction markets are inherently cyclical, changing building and environmental regulations continue to act as an underlying positive structural trend in demand for many of the Company's products.

Failure to innovate

Failing to successfully manage and compete with new product innovations, changing market trends and consumer tastes could have an adverse effect on the future growth of the business and the margins achieved on the existing product line.

Product failure

A key risk to the Company's business is the potential for functional failure of our product which could lead to health, safety and security issues for both our people and our customers. The Kingspan brand is well established and is a key element of the Company's overall marketing and positioning strategy. In the event of a product failure, the Kingspan brand and/or reputation could be damaged and if so, this could lead to a loss of market share.

Laws and regulations

The Company is subject to a broad range of existing and evolving governance requirements, environmental, health and safety and other laws, regulations and standards which affect the way the Company operates. Non-compliance can lead to potential legal liabilities and curtail the development of the Company.

Business interruption (including IT continuity)

The Company's performance is dependent on the availability and quality of its physical infrastructure, its proprietary technology, its raw material supply chain and its information technology. The safe and continued operation of such systems and assets is threatened by natural and man-made perils and is affected by the level of investment available to improve them. The building industry is going through some significant change with respect to building regulations and codes. The risks associated with misunderstanding some of the potential changes and the nature of our product set are more prevalent today. Any significant or prolonged restriction to its physical infrastructure, the necessary raw materials or its IT systems and infrastructure could have an adverse effect on the Company's business performance.

Employee development and retention

The success of the Company is built upon effective management teams committed to achieving a superior performance. Failure to attract, retain or develop these teams could have an impact on business performance.

Fraud and cybercrime

The Company is potentially exposed to fraudulent activity, with particular focus on the Company's online banking systems, online payment procedures and unauthorised access to internal systems.

Health and Safety

The nature of the Company's operations can expose its contractors, customers, suppliers and other individuals to potential health and safety risks. Health and safety incidents can lead to loss of life or severe injuries.

Kingspan Insulation Limited

Strategic Report for the Year Ended 31 December 2022 (continued)

Financial Risk Management

In the normal course of business, the Company has exposure to a variety of financial risks, including liquidity risk and credit risk. The Company's focus is to understand these risks and to put in place policies that minimise the economic impact of an adverse event on the Company's performance. Meetings are held on a regular basis to review the result of the risk assessment, approve recommended risk management strategies and monitor the effectiveness of such policies.

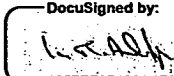
Liquidity Risk

In order to mitigate liquidity risk and to ensure that sufficient funds are available for ongoing operations and future developments, the Company operates a prudent approach to liquidity management to enable it to meet its liabilities when due.

Credit risk

Credit risk encompasses the risk of financial loss to the Company of counterparty default in relation to any of its financial assets. The Company's principal financial assets are cash and cash equivalents and trade and other receivables. The Company's trade receivables arise from a wide and varied customer base spread, and as such there is no significant concentration of credit risk. The Company's credit risk management policy in relation to trade receivables involves periodically assessing the financial reliability of customers, taking into account their financial position, past experience and other factors. The utilisation of credit limits is regularly monitored and a significant element of credit risk is covered by credit insurance or other forms of collateral such as letters of credit or bank guarantees.

Approved by the Board on 12 June 2023 and signed on its behalf by:

DocuSigned by:

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Ian McAuliffe
Director

Kingspan Insulation Limited

Directors' Report for the Year Ended 31 December 2022

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

Directors of the Company

The directors, who held office during the year, up to the date of the report, were as follows:

Alan Lawlor

Ian McAuliffe

Ralph Mannion (ceased 16 May 2022)

Carina Elizabeth Hillman

Aiveen Kearney (appointed 16 May 2022)

None of the directors in office at the end of the year have beneficial interests of greater than one percent in the shares of the Company or the parent company, Kingspan Group plc.

Directors' indemnity

The Company is a wholly owned subsidiary of the ultimate parent company Kingspan Group plc, being a company incorporated in the Republic of Ireland. The Company, or the Group of which the Company forms part, maintains Directors' and Officers' Liability Insurance and (where applicable) Trustee Liability Insurance as at the date hereof and throughout the financial period ended 31 December 2022, in respect of the above-named directors.

Principal activity

The principal activity of the Company during the year was the manufacture of flexible faced insulation boards, insulated cavity closures, vacuum insulated panels and technical insulation products.

Dividends

Particulars of recommended dividends are detailed in note 25 to the financial statements.

Political donations

The Company did not make any donations for political purposes or to any political organisation during the year.

Employment of disabled persons

The Company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a disabled person. Where existing employees become disabled, it is the Company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Employee involvement

During the year, the policy of providing employees with information about the Company has been continued through internal media methods in which employees have also been encouraged to present their suggestions and views on the Company's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas. Employees participate directly in the success of the business through the Company's profit-sharing schemes and are encouraged to invest in the Company through participation in share option schemes.

Future developments

We remain focused on delivering our innovation and product development agenda, extending and consolidating our global footprint and improving returns on capital. The Company is well placed for the year ahead.

Kingspan Insulation Limited

Directors' Report for the Year Ended 31 December 2022 (continued)

Research and development

Ensuring a continuous flow of new product developments has always been a core theme of the Company, and a key element of the Company's continued differentiation strategy in an increasingly commoditised environment. These projects are primarily focused on leading the field in low energy building envelope solutions. The Company will continue to invest in research and development in the future.

Branches outside the United Kingdom

The Company has no branches outside of the United Kingdom.

Going concern

The Board has assessed the principal risks and uncertainties facing the Company. The Company delivers highly efficient, low carbon building product solutions across a broad range of building applications and geographies. The potential exposure to a downturn due to the pandemic or other significant economic event is partially mitigated by the Company's exposure to a wide set of market sectors and building types. Globally there is an increasing focus on climate change. The Company is well placed to benefit from this trend, that is prompting an increase in demand for energy efficient products that support energy conservation. 2023 has started reasonably well and in line with forecast.

The directors have reviewed budgets and projected cash flows for a period of not less than 12 months from the date of approval of the financial statements and the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. On that basis, the directors have concluded that there are no material uncertainties that would cast significant doubt over the Company's ability to continue as a going concern. For this reason, the directors consider it appropriate to continue to adopt the going concern basis in preparing the financial statements.

Subsequent events

There have been no significant events subsequent to 31 December 2022 which would require disclosure in this report.

Disclosure of information to the auditor

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Disclosure of information in the Strategic Report

The directors confirm that they have prepared a Strategic Report in accordance with section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 3.

Kingspan Insulation Limited

Directors' Report for the Year Ended 31 December 2022 (continued)

Environmental report

Emissions and energy consumption

Kingspan Group manufactures building solutions that cause buildings to consume less energy. The Group's mission is to accelerate a zero emissions future built environment with people and planet at its heart. Kingspan's ambitious Planet Passionate programme aims to significantly reduce the Group's environmental impact as it continues to grow its business, whilst also enhancing the sustainable benefits of its products.

2022 was the third full-year of our Planet Passionate sustainability strategy. Building upon our previous ten year Net Zero Energy drive this programme is now much broader and deeper, and focuses on twelve distinct targets in the categories of Energy, Carbon, Circularity and Water. The programme is dealt with in detail in the Planet Passionate annual report which is available at www.kingspan.com.

Future targets include:

- 60% direct renewable energy use by 2030;
- 20% on-site renewable energy generation by 2030;
- reduce carbon emissions (including in our value chain) by 90% by 2030;
- 100% zero emission company cars by 2025;

The table below shows the energy usage and greenhouse gas emissions for the Company in the year.

Summary of greenhouse gas emissions and energy consumption for the year ended 31 December 2022:

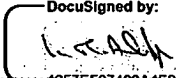
Name and description	Metric and / or KPI	2022	2021
UK Energy use	kWh	50,189,969	49,722,491
Associated Greenhouse gas emissions	Tonnes CO2 equivalent	6,030	6,182
GHG Intensity ratio	tCo2e/£m revenue	<u>30</u>	<u>29</u>

The methodology used is from The World Resource Institute's Greenhouse Gas Protocol – Corporate Reporting Standard / Emission factors source: DEFRA.

Reappointment of auditor

The auditor, Ernst & Young, Chartered Accountants, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 12 June 2023 and signed on its behalf by:

DocuSigned by:

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 Ian McAuliffe
 Director

Kingspan Insulation Limited

Statement of Directors' Responsibilities for the Year Ended 31 December 2022

The directors acknowledge their responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

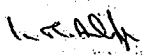
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework* ('FRS 101').

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 as at the end of the financial period 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 101 has been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 such internal controls as they determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Approved by the Board on 12 June 2023 and signed on its behalf by:

DocuSigned by:

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Ian McAuliffe
Director



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KINGSPAN INSULATION LIMITED

Opinion

We have audited the financial statements of Kingspan Insulation Limited (the "Company") for the year ended 31 December 2022 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity, and the related notes 1 to 29, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "*Reduced Disclosure Framework*" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KINGSPAN INSULATION LIMITED (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the 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 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 or Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of 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 Statement of Directors' Responsibilities set out on page 11, 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.



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KINGSPAN INSULATION LIMITED (continued)

Responsibilities of directors (continued)

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are Environmental, Employee and Health and Safety laws and regulations, along with FRS 101, the Companies Act 2006 and relevant tax compliance regulation in the United Kingdom.
- We understood how Kingspan Insulation Limited is complying with those frameworks by making enquiries of key management personnel. We corroborated our enquiries through reading the board minutes, and we note that there was no contradictory evidence.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by inquiry of management, those charged with governance and others within the entity, as whether they have knowledge of any actual or suspected fraud. Where the risk was considered higher, we performed audit procedures to address the fraud risk. These procedures including testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud and error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved reading board minutes to identify any non-compliance with laws and regulations and enquiries of management.

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



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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KINGSPAN INSULATION
LIMITED (continued)**

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.

Pat O'Neill (Senior statutory auditor)
for and on behalf of Ernst & Young, Chartered Accountants and Statutory Auditor

Dublin
Republic of Ireland

15 June 2023

Kingspan Insulation Limited

Profit and Loss Account for the Year Ended 31 December 2022

	Note	2022 £	2021 £
Revenue	4	201,967,722	209,694,493
Cost of sales		<u>(155,797,090)</u>	<u>(147,129,409)</u>
Gross profit		46,170,632	62,565,084
Distribution costs		(9,714,073)	(9,253,069)
Administrative expenses		(34,623,337)	(35,583,694)
Other operating income	5	<u>625,741</u>	<u>482,059</u>
Operating profit	6	2,458,963	18,210,380
Interest payable and similar expenses	7	<u>(45,265)</u>	<u>(46,308)</u>
Profit before tax		2,413,698	18,164,072
Income tax expense	11	<u>(222,252)</u>	<u>(1,693,325)</u>
Profit for the year		<u><u>2,191,446</u></u>	<u><u>16,470,747</u></u>

The above results were derived from continuing operations.

The Company has no other recognised items of income and expenses other than the results for the financial year as set out above. As a result, the Statement of Other Comprehensive Income is not presented.

Kingspan Insulation Limited
(Registration number: 01882722)
Balance Sheet as at 31 December 2022

	Note	2022 £	2021 £
Fixed assets			
Property, plant and equipment	12	57,929,584	53,002,022
Right of use assets	13	1,975,824	1,984,178
Intangible assets	14	2,290,027	521,174
Investments in subsidiaries	15	1,037,938	5,368,861
		<u>63,233,373</u>	<u>60,876,235</u>
Current assets			
Inventories	16	23,703,510	23,801,598
Trade and other receivables	17	38,355,410	50,349,856
Cash and cash equivalents	18	5,038,369	1,153,593
		<u>67,097,289</u>	<u>75,305,047</u>
Creditors: amounts falling due within one year			
Lease liabilities	13	658,982	557,454
Trade and other payables	22	64,495,811	58,796,172
		<u>65,154,793</u>	<u>59,353,626</u>
Net current assets		<u>1,942,496</u>	<u>15,951,421</u>
Total assets less current liabilities		<u>65,175,869</u>	<u>76,827,656</u>
Creditors: amounts falling due after more than one year			
Lease liabilities	13	1,404,400	1,409,956
Provisions			
Provisions	21	7,804,287	7,753,966
Deferred tax liabilities	11	3,019,819	2,118,333
		<u>10,824,106</u>	<u>9,872,299</u>
Net assets		<u>52,947,363</u>	<u>65,545,401</u>
Equity			
Share capital	19	5,033,000	5,033,000
Share premium	20	24,067,000	24,067,000
Other reserves	20	11,492,719	11,782,193
Profit and loss account	20	12,354,644	24,663,208
Total equity		<u>52,947,363</u>	<u>65,545,401</u>

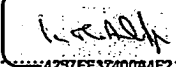
The notes on pages 21 to 41 form an integral part of these financial statements.

Kingspan Insulation Limited

(Registration number: 01882722)

Balance Sheet as at 31 December 2022 (continued)

Approved by the Board on 12 June 2023 and signed on its behalf by:

DocuSigned by:

4297EF37400A4F2.....
Ian McAuliffe
Director

Kingspan Insulation Limited**Statement of Changes in Equity for the Year Ended 31 December 2022**

	Note	Share capital £	Share premium £	Other reserves £	Profit and loss account £	Total £
At 1 January 2021		5,033,000	24,067,000	10,283,515	14,692,461	54,075,976
Profit for the year		-	-	-	16,470,747	16,470,747
Total comprehensive income		-	-	-	16,470,747	16,470,747
Transactions with owners						
Share based payment transactions	8	-	-	703,400	-	703,400
Deferred tax relating to share based payment transactions	11	-	-	795,278	-	795,278
Dividends	25	-	-	-	(6,500,000)	(6,500,000)
Total transactions with owners		-	-	1,498,678	(6,500,000)	(5,001,322)
At 31 December 2021		5,033,000	24,067,000	11,782,193	24,663,208	65,545,401

The notes on pages 21 to 41 form an integral part of these financial statements.

Kingspan Insulation Limited**Statement of Changes in Equity for the Year Ended 31 December 2022 (continued)**

	Note	Share capital £	Share premium £	Other reserves £	Profit and loss account £	Total £
At 1 January 2022		5,033,000	24,067,000	11,782,193	24,663,208	65,545,401
Profit for the year		-	-	-	2,191,446	2,191,446
Total comprehensive income		-	-	-	2,191,446	2,191,446
Transactions with owners						
Share based payment transactions	8	-	-	699,406	-	699,406
Share based payments settlement		-	-	(309,646)	-	(309,646)
Deferred tax relating to share based payment transactions	11	-	-	(679,234)	-	(679,234)
Dividends	25	-	-	-	(14,500,010)	(14,500,010)
Total transactions with owners		-	-	(289,474)	(14,500,010)	(14,789,484)
At 31 December 2022		<u>5,033,000</u>	<u>24,067,000</u>	<u>11,492,719</u>	<u>12,354,644</u>	<u>52,947,363</u>

The notes on pages 21 to 41 form an integral part of these financial statements.
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Kingspan Insulation Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

1 General information

The Company is a private company limited by share capital, incorporated in England and Wales and domiciled in the United Kingdom.

The address of its registered office is:

Pembridge
Leominster
Herefordshire
England
HR6 9LA

Its registered number is 01882722. These financial statements have been prepared in accordance with applicable law and United Kingdom Accounting Standards including FRS 101 "*Reduced Disclosure Framework*" (United Kingdom Generally Accepted Accounting Practice). The principal activity of the Company is the manufacture of flexible faced insulation boards, insulated cavity closures, vacuum insulated panels and technical insulation products.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of the UK adopted International Accounting Standards, but makes amendments where necessary in order to comply with Companies Act 2006.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared under the historical cost convention, in accordance with the Companies Act 2006 and applicable accounting standards in the UK and on a going concern basis.

Functional and presentational currency

The financial statements are presented in sterling (£), which is also the Company's functional currency.

Kingspan Insulation Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Summary of disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 101. Its financial statements are consolidated into the financial statements of Kingspan Group plc which are prepared under IFRS and can be obtained from www.kingspan.com. As such, advantage has been taken of the following disclosure exemptions available under paragraph 8 of FRS 101:

- The requirements of IAS 7 *Statement of Cash Flows*, in respect of presenting a cashflow.
- The requirement in paragraph 38 of IAS 1 *Presentation of Financial Statements* to present comparative information in respect of paragraph 79(a)(iv) of IAS 1 and paragraph 73(e) of IAS 16 *Property, Plant and Equipment*.
- The requirements of paragraphs 10(d), 16, 111, and 134-136 of IAS 1 *Presentation of Financial Statements* in respect of capital management disclosures.
- The requirements of paragraphs 134-136 of IAS 1 *Presentation of Financial Statements* in respect of capital management disclosures.
- The requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* in respect of the effects of new but not yet effective IFRSs have not been disclosed.
- The requirements of paragraphs 17 and 18A of IAS 24 *Related Party Disclosures* in respect of the disclosure of the aggregate remuneration of key management personnel.
- The requirements in IAS 24 *Related Party Disclosures* in relation to disclosure of transactions with wholly owned subsidiaries.
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 *Revenue from Contracts with Customers*.
- The requirements of paragraph 58 of IFRS 16 *Leases*.

As the consolidated financial statements of the ultimate parent, Kingspan Group Plc, include the equivalent disclosures, the Company has also taken the exemptions under FRS101 available in respect of the following disclosures:

- The requirements of paragraph 45(b) and paragraphs 46-52 of IFRS 2 *Share Based Payments*, in respect of group settled share based payments.
- The requirements of IFRS 7 *Financial Instruments: Disclosures*.
- The requirements of paragraphs 91-99 of IFRS 13 *Fair Value Measurement*.

Going concern

The Board has assessed the principal risks and uncertainties facing the Company. The Company delivers highly efficient, low carbon building product solutions across a broad range of building applications and geographies. The potential exposure to a downturn due to the pandemic or other significant economic event is partially mitigated by the Company's exposure to a wide set of market sectors and building types. Globally there is an increasing focus on climate change. The Company is well placed to benefit from this trend, that is prompting an increase in demand for energy efficient products that support energy conservation. 2023 has started reasonably well and in line with forecast.

The directors have reviewed budgets and projected cash flows for a period of not less than 12 months from the date of approval of the financial statements and the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. On that basis, the directors have concluded that there are no material uncertainties that would cast significant doubt over the Company's ability to continue as a going concern. For this reason, the directors consider it appropriate to continue to adopt the going concern basis in preparing the financial statements.

Kingspan Insulation Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Exemption from preparing group accounts

The Company was, at the end of the year, a wholly-owned subsidiary of another company incorporated in the UK. The Company is included in the consolidated accounts of the ultimate parent undertaking Kingspan Group plc, a company incorporated in the Republic of Ireland and in accordance with Section 401 of the Companies Act 2006, is not required to produce, and has not published, consolidated accounts.

Changes in accounting policy

There were a number of amendments to standards and interpretations effective for the Company from 1 January 2022, none of which had a material effect on the results or financial performance of the Company. A full list of these changes can be found in the consolidated financial statements of the ultimate parent, Kingspan Group plc and can be obtained from www.kingspan.com.

Revenue recognition

The Company recognises revenue exclusive of sales tax and trade discounts which would occur over time or at a point in time. The Company uses the five-step model as prescribed under IFRS 15 *Revenue from Contracts with Customers* on the Company's revenue transactions. This includes the identification of the contract, identification of the performance obligations under same, determination of the transaction price, allocation of the transaction price to performance obligations and recognition of revenue. Typically, individual performance obligations are specifically called out in the contract which allows for accurate recognition of revenue as and when performances are fulfilled.

The Company has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customers.

The Company has identified a number of revenue streams where revenue is recognised at a point in time and/or over time. These are detailed below:

Supply only contracts

The point of recognition arises when the Company satisfies a performance obligation by transferring control of a promised good or service to the customer, which could occur over time or at a point in time. Revenue is recognised at the time of delivery at the delivery address (where Kingspan is to deliver the goods to the delivery address) or at Kingspan's works (where the customers is to collect the goods) or, if the customer wrongfully fails to take delivery of the goods, the time when Kingspan has tendered delivery of the goods. Invoicing occurs at the point of final delivery of the product or performance obligation, at which point a right is established for unconditional consideration as control passes to the customer. Typically, payment terms are 30 days from the end of the month in which the invoice is raised.

Supply and install projects

If a contract requires the Company to install or commission a product and the product can be separated or sold separately from the installation service and the contract specifically separates the performance obligations, then the product only supply element is recognised in line with the criteria set out in the supply only policy. The installation element is recognised over time in line with the milestones set out in the contract. If there is significant integration provided for in the contract then a single purchase order is identified and the revenue is recognised over time.

Kingspan Insulation Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

Current tax

Current tax represents the expected tax payable or recoverable on the taxable profit for the year using tax rates and laws that have been enacted for the financial year taking into account any adjustments from prior years. Liabilities for uncertain tax treatments are recognised in accordance with IFRIC 23 and are measured using either the most likely amount method or the expected value method -whichever better predicts the resolution of the uncertainty.

Deferred tax

Deferred tax is recognised on all temporary differences at the reporting date. Temporary differences are defined as the difference between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets and liabilities are not subject to discounting and are measured at the tax rates that are expected to apply in the period in which the asset is realised or the liability is settled based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences (i.e. differences that will result in taxable amounts in future periods when the carrying amount of the asset or liability is recovered or settled).

Deferred tax assets are recognised in respect of all deductible temporary differences (i.e. differences that give rise to amounts which are deductible in determining taxable profits in future periods when the carrying amount of the asset or liability is recovered or settled), carry-forward of unused tax credits and unused tax losses to the extent that it is probable that taxable profits will be available against which to offset these items.

The carrying amounts of deferred tax assets are subject to review at each reporting date and reduced to the extent that future taxable profits are considered to be inadequate to allow all or part of any deferred tax asset to be utilised.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and accumulated impairment losses.

Kingspan Insulation Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Depreciation

Depreciation is provided on a straight line basis at the rates stated below, which are estimated to reduce each item of property, plant and equipment to its residual value by the end of its useful life:

Asset class	Depreciation method and rate
Freehold property	2% straight line
Plant and Machinery	6.6% - 33% straight line
Motor Vehicles	25% - 33% straight line

The estimated useful lives and residual values of property, plant and equipment are determined by management at the time the assets are acquired and subsequently, re-assessed at each reporting date. These lives are based on historical experience with similar assets across the Company.

In accordance with IAS 36 *Impairment of Assets*, the carrying values of property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. An impairment loss is recognised whenever the carrying value of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the Profit and Loss Account. Following the recognition of an impairment loss, the depreciation charge applicable to the asset or cash generating unit is adjusted to allocate the revised carrying amount, net of any residual value, over the remaining useful life.

Assets under construction are carried at cost less any recognised impairment loss. Depreciation of these assets commences when the assets are ready for their intended use.

Intangible assets (other than goodwill)

Intangible assets separately acquired are capitalised at cost. Intangible assets acquired as part of a business combination are capitalised at fair value as at the date of acquisition.

Following initial recognition, intangible assets, which have finite useful lives, are carried at cost or initial fair value less any accumulated amortisation and accumulated impairment losses.

Amortisation of intangible assets (other than goodwill)

The amortisation of intangible assets is calculated to write off the book value of intangible assets over their useful lives on a straight-line basis on the assumption of zero residual value. Where amortisation is charged on these assets, the expense is recognised in the Profit and Loss Account.

In addition to any annual amortisation charge, the carrying amount of intangible assets is reviewed for indicators of impairment at each reporting date and is subject to impairment testing when events or changes of circumstances indicate that the carrying values may not be recoverable.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted as necessary.

Asset class	Amortisation method and rate
Technological know how	10 years

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units. It is not amortised but is tested annually for impairment.

Investments

Investments in subsidiaries are carried at cost less accumulated impairment losses.

Kingspan Insulation Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents principally comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

Financial assets

On initial recognition, a financial asset is classified as measured at amortised cost and subsequently measured using the effective interest rate (EIR) method and subject to impairment. Financial assets may also be initially measured at fair value with any movement being reflected through other comprehensive income or the Profit and Loss Account.

The Company applies the simplified approach for expected credit losses (ECL) under IFRS 9 *Financial Instruments*, which requires expected lifetime losses to be recognised from initial recognition of receivables. Under IFRS 9 *Financial Instruments*, the Company uses an allowance matrix to measure Expected Credit Loss (ECL) of trade receivables from customers. Loss rates are calculated using a "roll rate" method based on the probability of a receivable progressing through successive chains of non-payment to write-off. The rates are calculated at a business unit level which reflects the risks associated with geographic region, age, mix of customer relationship and type of product purchased.

Non-trading balances with group undertakings are assessed for indicators of impairment, however as all wholly owned subsidiaries are party to global cash pooling arrangements and have easy access to liquidity through these arrangements, there is limited credit risk associated with these receivables.

Inventory

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in, first-out principle and includes all expenditure incurred in acquiring the inventories and bringing them to their present location and condition. Raw materials are valued at the purchase price including transport, handling costs and net of trade discounts. Work in progress and finished goods are carried at cost consisting of direct materials, direct labour and directly attributable production overheads and other costs incurred in bringing them to their existing location and condition.

Net realisable value represents the estimated selling price less costs to completion and appropriate marketing, selling and distribution costs. A provision is made, where necessary, in all inventory categories for obsolete, slow moving and defective items.

Financial liabilities

Financial liabilities are initially measured at fair value, net of any transaction costs in the case of borrowings, and subsequently measured at amortised cost using the effective interest rate. Financial liabilities are derecognised when the Company's obligations specified in the contract expire, are discharged or cancelled. Interest expense is recognised using the effective interest rate method.

Kingspan Insulation Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Provisions

A provision is recognised in the Balance Sheet when the Company has a present constructive or legal obligation as a result of a past event and it is probable that an outflow of economic benefit will be required to settle the obligation and the amount of the obligation can be estimated reliably.

A specific provision is created when a claim has actually been made against the Company or where there is a known issue at a known customer's site, both relating to a product or service supplied in the past. In addition, a risk-based provision is created where future claims are considered incurred but not reported. The warranty provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

Specific provisions will generally be aged as current, reflecting the assessment that a current obligation exists to replace or repair product sold on foot of an accepted valid warranty issue. Only where the liability is reasonably certain not to be settled within the next 12 months, will a specific provision be categorised as long-term. Risk-based provisions will generally be aged as non-current, reflecting the fact that no warranty claim has yet been made by the customer.

Provisions which are not expected to give rise to a cash outflow within 12 months of the reporting date are, where material, determined by discounting the expected future cash flows. The unwinding of the discount is recognised as a finance cost.

Leases

The Company recognises right of use assets representing its right to use the underlying assets and lease liabilities representing its obligation to make lease payments at the lease commencement date. The right of use assets are initially measured at cost, and subsequently measured at cost less accumulated depreciation and impairment losses.

Depreciation is provided on a straight line basis over the period of the lease, or useful life if shorter.

Lease liabilities are measured at the present value of the future lease payments, discounted at the applicable incremental borrowing rate. Subsequent to the initial measurement, the lease liabilities are increased by the interest cost and reduced by lease payments made.

The right of use assets and lease liabilities are remeasured when there are changes in the assessment of whether an extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised or where there is a change in future lease payments as a result of a change in an index or rate. The Company applies judgement when determining the lease term where renewal and termination options are contained in the lease contract.

The Company applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date. The Company also applies the lease of low-value assets recognition exemption to leases of equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the term of the lease.

Dividends

Final dividends on ordinary shares are recognised as a liability in the financial statements only after they have been approved at the Annual General Meeting of the Company. Interim dividends on ordinary shares are recognised when they are paid.

Kingspan Insulation Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Defined contribution pension obligation

The costs arising on the Company's defined contribution schemes are recognised in the Profit and Loss Account in the period in which the related service is provided. The Company has no legal or constructive obligation to pay further contributions in the event that these plans do not hold sufficient assets to provide retirement benefits.

Share based payment transactions

The ultimate parent company Kingspan Group plc, issues equity-settled payments to certain employees (including directors) within the Company. The fair value of these equity settled transactions is determined at grant date and is recognised as an employee expense in the Profit and Loss Account with the corresponding increase in equity, on a straight-line basis over the vesting period.

Fair value is measured using the Monte Carlo Pricing Model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Where the terms of an equity-settled transaction are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled transaction is cancelled, it is treated as if it had vested on the date of the cancellation, and any expense not yet recognised for the transaction is recognised immediately. However, if a new transaction is substituted for the cancelled transaction, and designated as a replacement transaction on the date that it is granted, the cancelled and new transactions are treated as if they were a modification of the original transaction, as described in the previous paragraph.

3 Accounting estimates and judgements

The Company has made a number of financial estimates and judgements in compiling these financial statements. These estimates and judgements are outlined below:

Guarantees and warranties

Certain products carry formal guarantees of satisfactory functional and aesthetic performance of varying periods following their purchase. Local management evaluate the constructive or legal obligation arising from customer feedback and assess the requirement to provide for any probable outflow of economic benefit arising from a settlement. This is an area of estimation and judgement.

Recoverability of trade receivables

The Company provides credit to customers and as a result there is an associated risk that the customer may not be able to pay outstanding balances. Trade receivables are considered for impairment on a case by case basis, when they are past due at the reporting date or when objective evidence is received that a specific counterparty may default.

Under IFRS 9 the Company uses an allowance matrix to measure Expected Credit Loss (ECL) of trade receivables from customers. Loss rates are calculated using a "roll rate" method based on the probability of a receivable progressing through successive chains of non-payment to write-off. The rates are calculated at a business unit level which reflects the risks associated with geographic region, age mix of customer relationship and type of product purchased. This is an area of estimation and judgement.

Kingspan Insulation Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

3 Accounting estimates and judgements (continued)

Valuation of inventory

Inventories are measured at the lower of cost and net realisable value. The Company's policy is to hold inventories at original cost and create an inventory provision where evidence exist that indicates net realisable value is below cost for a particular item of inventory. Damaged, slow-moving or obsolete inventory are typical examples of such evidence. This is an area of estimation and judgement.

Leases

The Company has applied judgement to determine the lease term of contracts that include termination and extension options. If the Company is reasonably certain to exercise such options, the relevant amount of right of use assets and lease liabilities are recognised.

The Company has also applied judgement in determining the incremental borrowing rates (IBR). The incremental borrowing rate is the rate of interest that a lessee would expect to incur on funds borrowed over a similar term and security to obtain a comparable value to the right of use asset in the relevant economic environment. The Company estimates the IBR using observable inputs (such as market interest rates) when available and makes certain entity-specific estimates (such as country risk and entity specific credit rating) as required.

Income taxes

There are many transactions for which the ultimate tax determination is uncertain. The Company recognises liabilities based on estimates of whether additional taxes will be due. Once it has been concluded that a liability needs to be recognised, the liability is measured based on the tax laws that have been enacted or substantially enacted at the end of the reporting period. The amount shown for current taxation includes an estimate for uncertain tax treatments where the Company considers it probable that uncertain tax treatments will not be accepted by tax authorities and the estimate is measured using either the most likely amount method or the expected value method as appropriate, prescribed by IFRIC 23.

Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. The Company estimates the most probable amount of future taxable profits, using assumptions consistent with those employed in impairment calculations, and taking into consideration applicable tax legislation in the relevant jurisdiction. These calculations also require the use of estimates.

Estimated impairment of goodwill

The Company performs annual tests to assess the potential for impairment of goodwill, as set out in the relevant accounting policy. The estimated recoverable amount is determined using the present value of budgeted cash flows. These calculations require the use of estimates to establish the required rate of return for the period, cash flows and the growth factor of the cash flows.

Kingspan Insulation Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

4 Revenue

The analysis of the Company's turnover for the year from continuing operations is as follows:

	2022	2021
	£	£
Sale of goods	<u>201,967,722</u>	<u>209,694,493</u>

	2022	2021
	£	£
Disaggregation of revenue:		
Point of Time	201,967,722	209,694,493
Over Time	<u>-</u>	<u>-</u>
	<u>201,967,722</u>	<u>209,694,493</u>

The directors of the Company are of the opinion that it would be seriously prejudicial to the interests of the Company to disclose details of revenue either by class or market.

5 Other operating income

The analysis of the Company's other operating income for the year is as follows:

	2022	2021
	£	£
Government grants	-	2,049
Miscellaneous other operating income	<u>625,741</u>	<u>480,010</u>
	<u>625,741</u>	<u>482,059</u>

6 Operating profit

Arrived at after charging/(crediting)

	2022	2021
	£	£
Depreciation expense	5,649,050	5,726,833
Amortisation expense	35,372	-
Impairment of trade receivables	(708,030)	(142,975)
Research and development cost	2,672,530	2,368,309
Foreign exchange losses/(gains)	641,511	(556,788)
Impairment of investment in subsidiary	4,330,923	-
Loss on disposal of property, plant and equipment	<u>2,615</u>	<u>221,083</u>

Kingspan Insulation Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

7 Interest payable and similar expenses

	2022	2021
	£	£
Interest on bank overdrafts and borrowings	240	-
Interest on lease liabilities	45,025	46,308
	<u>45,265</u>	<u>46,308</u>

8 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2022	2021
	£	£
Wages and salaries	27,013,375	25,762,080
Social security costs	3,222,465	2,939,077
Pension costs, defined contribution scheme	1,272,734	1,083,298
	<u>31,508,574</u>	<u>29,784,455</u>

The costs incurred for equity settled share based payments in the year were £699,406 (2021: £703,400). No wages and salaries or related costs were capitalised in the current or prior year.

The average number of persons employed by the Company (including directors) during the year, analysed by category was as follows:

	2022	2021
	No.	No.
Production	302	384
Administration and support	329	87
Sales, marketing and distribution	59	144
	<u>690</u>	<u>615</u>

9 Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services for the year was as follows:

	2022	2021
	£	£
Remuneration	151,503	375,229
Contributions paid to money purchase schemes	22,839	14,853
	<u>174,342</u>	<u>390,082</u>

Kingspan Insulation Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

10 Auditor's remuneration

	2022 £	2021 £
Audit of the financial statements	<u>60,000</u>	<u>92,042</u>

11 Income tax

Tax charged/(credited) in the Profit and Loss Account

	2022 £	2021 £
Current taxation		
UK current tax expense	-	439,675
Adjustment in respect of prior periods	-	<u>382,463</u>
	<u>-</u>	<u>822,138</u>
Deferred taxation		
Origination and reversal of timing differences	460,400	574,149
Adjustments in respect of prior periods	(238,148)	(347,938)
Arising from effect of rate change	-	<u>644,976</u>
Total deferred taxation	<u>222,252</u>	<u>871,187</u>
Tax expense in the profit and loss account	<u>222,252</u>	<u>1,693,325</u>

The tax on profit before tax for the year differs from the standard rate of corporation tax in the UK (2021 - differs from the standard rate of corporation tax in the UK) of 19% (2021 - 19%).

The differences are reconciled below:

Kingspan Insulation Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

11 Income tax (continued)

	2022 £	2021 £
Profit before tax	2,413,698	18,164,072
Corporation tax at standard rate	458,603	3,451,174
(Decrease)/increase in current tax from adjustment for prior periods	(238,148)	34,525
Increase/(decrease) from effect of revenues exempt from taxation	45,393	(150,119)
Increase from effect of expenses not deductible in determining taxable profit (tax loss)	294,809	543,451
Decrease arising from group relief tax reconciliation	(586,806)	(2,821,656)
Deferred tax expense relating to changes in tax rates or laws	-	644,976
Other tax effects for reconciliation between accounting profit and tax expense/(income)	248,401	(9,026)
Total tax charge	222,252	1,693,325

Finance Bill 2020, which was substantively enacted on 24 May 2021, will increase the UK corporate tax rate from the current rate of 19% to 25% with effect from 1 April 2023. This change was enacted in the current period such that the closing deferred tax balances have been calculated using the 25% rate where appropriate.

Deferred tax

Deferred tax assets and liabilities

	Liability £
2022	3,019,819
2021	2,118,333

The deferred tax account consists of the tax effect of timing differences in respect of:

	2022 £	2021 £
Accelerated capital allowances	3,668,656	3,393,263
Pension obligation	-	(52,306)
Deferred tax - other timing differences	(648,837)	-
Share based payments	-	(1,222,624)
	3,019,819	2,118,333

Kingspan Insulation Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

11 Income tax (continued)

Deferred tax movement during the year:

At 1 January 2022	Recognised in income	Recognised in equity	At 31 December 2022
£	£	£	£
2,118,333	222,252	679,234	3,019,819

Deferred tax movement during the prior year:

At 1 January 2021	Recognised in income	Recognised in equity	At 31 December 2021
£	£	£	£
2,042,424	871,187	(795,278)	2,118,333

12 Property, plant and equipment

	Land and buildings £	Plant and machinery £	Total £
Cost or valuation			
At 1 January 2022	40,356,289	83,888,450	124,244,739
Impairment	-	(1,940)	(1,940)
Additions	-	8,863,192	8,863,192
Acquired through business combinations	-	920,000	920,000
Disposals	(10,149)	(410,280)	(420,429)
At 31 December 2022	40,346,140	93,259,422	133,605,562
Depreciation			
At 1 January 2022	15,865,899	55,376,818	71,242,717
Charge for the year	662,729	4,188,701	4,851,430
Eliminated on disposal	(10,149)	(407,665)	(417,814)
Impairment	-	(355)	(355)
At 31 December 2022	16,518,479	59,157,499	75,675,978
Carrying amount			
At 31 December 2022	23,827,661	34,101,923	57,929,584
At 31 December 2021	24,490,390	28,511,632	53,002,022
		2022 £	2021 £
Capital commitments			
Contracted for but not provided for in the financial statements		-	5,689,400

Kingspan Insulation Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

13 Leases

Right of use assets	Plant and machinery £	Land and buildings £	Motor vehicles £	Total £
At 1 January 2022	57,995	1,138,193	787,990	1,984,178
Additions	3,100	24,789	589,612	617,501
Remeasurement	75,253	(18,040)	129,284	186,497
Terminations	(1,126)	-	(13,606)	(14,732)
Depreciation charge for the year	<u>(77,242)</u>	<u>(166,244)</u>	<u>(554,134)</u>	<u>(797,620)</u>
At 31 December 2022	<u>57,980</u>	<u>978,698</u>	<u>939,146</u>	<u>1,975,824</u>
At 1 January 2021	121,707	861,572	489,363	1,472,642
Additions	18,841	-	756,659	775,500
Remeasurement	49,010	453,842	42,700	545,552
Terminations	(4,830)	-	(18,878)	(23,708)
Depreciation charge for the year	<u>(126,733)</u>	<u>(177,221)</u>	<u>(481,854)</u>	<u>(785,808)</u>
At 31 December 2021	<u>57,995</u>	<u>1,138,193</u>	<u>787,990</u>	<u>1,984,178</u>

Lease liability

	2022 £	2021 £
At 1 January	1,967,410	1,443,615
Additions	607,638	737,173
Terminations	(12,145)	(20,830)
Payments	(709,863)	(771,181)
Interest	45,025	46,308
Other	<u>165,317</u>	<u>532,325</u>
At 31 December	<u>2,063,382</u>	<u>1,967,410</u>

Split as follows:

	2022 £	2021 £
Current liability	658,982	557,454
Non-current liability	<u>1,404,400</u>	<u>1,409,956</u>
	<u>2,063,382</u>	<u>1,967,410</u>

Kingspan Insulation Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

13 Leases (continued)

Lease liabilities maturity analysis

A maturity analysis of lease liabilities based on undiscounted gross cash flow is reported in the table below:

	2022 £	2021 £
Less than 1 year	698,947	572,519
1 - 5 years	1,093,314	979,365
More than 5 years	408,750	548,750
Total lease liabilities (undiscounted)	<u>2,201,011</u>	<u>2,100,634</u>

14 Intangible assets

	Goodwill £	Technological know how £	Development costs £	Total £
Cost or valuation				
At 1 January 2022	521,174	-	13,852,229	14,373,403
Acquired through business combinations	389,331	1,414,894	-	1,804,225
At 31 December 2022	<u>910,505</u>	<u>1,414,894</u>	<u>13,852,229</u>	<u>16,177,628</u>
Amortisation				
At 1 January 2022	-	-	13,852,229	13,852,229
Amortisation charge	-	35,372	-	35,372
At 31 December 2022	<u>-</u>	<u>35,372</u>	<u>13,852,229</u>	<u>13,887,601</u>
Carrying amount				
At 31 December 2022	<u>910,505</u>	<u>1,379,522</u>	<u>-</u>	<u>2,290,027</u>
At 31 December 2021	<u>521,174</u>	<u>-</u>	<u>-</u>	<u>521,174</u>

During the year the Company acquired the assets of the Evonik Calostat Board Business. Consideration paid consisted of cash of £3,846,591. The fair value of the assets acquired were property, plant and equipment of £920,000, technological know-how of £1,414,894 and inventory of £1,122,366. This resulted in goodwill of £389,331.

Kingspan Insulation Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

15 Investments

Subsidiaries	£
Cost or valuation	
At 1 January 2022	5,368,861
At 31 December 2022	5,368,861
Provision	
Provision	4,330,923
At 31 December 2022	4,330,923
Carrying amount	
At 31 December 2022	1,037,938
At 31 December 2021	5,368,861

During the year, the Company recorded an impairment charge of £4,330,923 in relation to its investment in Ecotherm Insulation (UK) Limited.

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

Name of subsidiary	Registered office	Proportion of ownership interest and voting rights held	
		2022	2021
Ecotherm Insulation (UK) Limited	Harvey Road, Burnt Mills Estate, Basildon, SS13 1QJ, England UK	100%	100%

16 Inventories

	2022	2021
	£	£
Raw materials and consumables	12,974,439	11,636,787
Work in progress	14,349	1,820
Finished goods and goods for resale	10,714,722	12,162,991
	<u>23,703,510</u>	<u>23,801,598</u>

Kingspan Insulation Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

16 Inventories (continued)

The above carrying value is shown net of an inventory provision of £2,787,333 (2021: £2,021,539).

A total of £122,454,318 (2021: £123,826,187) of inventories was included in the Profit and Loss Account as an expense.

17 Trade and other receivables

	2022 £	2021 £
Trade receivables	33,945,823	36,654,278
Expected credit loss allowance	<u>(1,829,106)</u>	<u>(2,170,694)</u>
Net trade receivables	32,116,717	34,483,584
Amounts owed by group undertakings	4,466,096	10,578,654
Prepayments	1,754,953	5,209,889
Other receivables	<u>17,644</u>	<u>77,729</u>
	<u>38,355,410</u>	<u>50,349,856</u>

The amounts due from group undertakings are unsecured, interest free and are due on demand.

18 Cash and cash equivalents

	2022 £	2021 £
Cash at bank	<u>5,038,369</u>	<u>1,153,593</u>

19 Share capital

Authorised share capital

The cap has been removed on authorised share capital and the Company has an unlimited amount of shares if required.

Allotted, called up and fully paid shares

	2022		2021	
	No.	£	No.	£
Ordinary shares of £1 each	<u>5,033,000</u>	<u>5,033,000</u>	<u>5,033,000</u>	<u>5,033,000</u>

20 Reserves

Share premium account

This reserve records the amount above the nominal value received for shares sold, less transaction costs. There was no movement on the share premium account during the year.

Kingspan Insulation Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

20 Reserves (continued)

Other reserves

This reserve is made up of the share option reserve, which relates to capital contributions from the ultimate parent Kingspan Group plc in respect of share options in the parent Company granted to employees of Kingspan Insulation Limited.

Profit and loss account

This reserve records retained earnings and accumulated losses.

21 Provisions

	Warranties £	Total £
At 1 January 2022	7,753,966	7,753,966
Additional provisions	303,702	303,702
Provisions used	<u>(253,381)</u>	<u>(253,381)</u>
At 31 December 2022	<u>7,804,287</u>	<u>7,804,287</u>
	2022 £	2021 £
Current provisions	3,590,842	3,715,727
Non-current provisions	<u>4,213,445</u>	<u>4,038,239</u>
Total provision	<u>7,804,287</u>	<u>7,753,966</u>

Kingspan Insulation Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

21 Provisions (continued)

The Company manufactures a wide range of insulation and related products for use primarily in the construction sector. Some products carry formal guarantees of satisfactory performance of varying periods following their purchase by customers and a provision is carried in respect of the expected costs of settling warranty and guarantee claims which arise. The Company in the course of its operations can be party to claims or litigation. Both the number of claims and the cost of settling the claim are sensitive to change.

In most cases, a reasonably reliable estimate can be made based on a range of possible outcomes. If the extent and cost of settling a claim or potential claim is not yet reasonably determinable, no provision is made until such a reliable estimate can be made. Provisions are reviewed by management on a regular basis, and adjusted to reflect the current best estimate of the economic outflow. If it is no longer probable that an outflow of economic benefits will be required, the related provision is reversed.

22 Trade and other payables

	2022	2021
	£	£
Trade payables	8,627,818	11,345,448
Accrued expenses	7,745,045	9,439,246
Amounts owed to group undertakings	38,131,315	29,600,668
Social security and other taxes	835,839	2,295,517
VAT payable	1,325,759	1,297,842
Other payables	7,830,035	4,817,451
	<u>64,495,811</u>	<u>58,796,172</u>

The amounts due to group undertakings are unsecured, interest free and fall due on demand.

23 Pension and other schemes

Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £1,272,734 (2021: £1,083,298).

Contributions totalling £223,169 (2021: £248,865) were payable to the scheme at the end of the year and are included in creditors.

24 Share-based payments

The Company has claimed exemption from making full disclosures in relation to Share Based Payments under FRS 101, and in line with those exemptions, the below shows the options exercised during the year, along with comparatives, and the number of options outstanding at 31 December 2022 and 31 December 2021.

Kingspan Insulation Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

24 Share-based payments (continued)

	2022		2021	
	No.	WAEP* £	No.	WAEP* £
Exercised PSP during the year	25,470	0.13	33,306	0.13
Outstanding at the end of the year	82,050	0.13	89,980	0.13

*Weighted Average Exercise Price

25 Dividends

Dividends paid during the year to Kingspan Holdings (Insulation) Limited :

	2022 £	2021 £
Final dividend of £2.88 (2021 - £1.29) per each Ordinary shares	14,500,010	6,500,000

26 Contingencies

There is a contingent liability on the Company in respect to guarantees issued by banks. These guarantees amount to £610,714 at 31 December 2022 (2021: £604,106).

27 Parent and ultimate parent undertaking

The Company's immediate parent is Kingspan Holdings (Insulation) Limited, a company incorporated in the United Kingdom.

The ultimate parent and controlling party is Kingspan Group plc, a company incorporated in the Republic of Ireland.

The smallest and the largest group undertaking for which group financial statements are drawn up, and of which the Company is a member, is that of Kingspan Group plc. A copy of these consolidated financial statements are available at www.kingspan.com.

28 Subsequent events

There have been no significant events subsequent to 31 December 2022 which would require disclosure in these financial statements.

29 Approval of financial statements

These financial statements were authorised for issue by the Board on 12 June 2023.