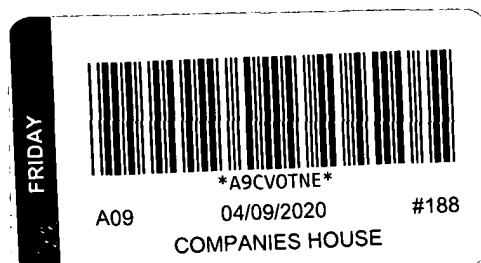


COMPANY REGISTRATION NUMBER: 02940609

Kingspan Light + Air (UK & Ireland) Limited
Financial Statements
31 December 2019



Kingspan Light + Air (UK & Ireland) Limited

Financial Statements

Year ended 31 December 2019

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Kingspan Light + Air (UK & Ireland) Limited

Officers and Professional Advisers

The board of directors	Brakel Investments B.V. Liam McDaniel Garrett Crowe (<i>Appointed 21/06/2019</i>) Alexander Cooke (<i>Appointed 31/07/2019</i>) Bernardus Claaszen (<i>Appointed 31/07/2019</i>) Tom Neville (<i>Resigned 21/06/2019</i>) Charles Hurdman (<i>Resigned 31/07/2019</i>)
Company secretary	Kingspan Group Limited
Registered office	Unit 7 Melyn Mair Business Centre Lamby Industrial Park Wentloog Avenue Cardiff CF3 2EX Wales
Auditor	KPMG Chartered Accountants & Statutory Auditor 1 Stokes Place St. Stephen's Green Dublin 2 Ireland
Bankers	National Westminster Bank Plc
Solicitors	Allen & Overy LLP One Bishops Square London E1 6AD England
Registered number	02940609

Kingspan Light + Air (UK & Ireland) Limited

Strategic Report

Year ended 31 December 2019

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

STRATEGIC REPORT

Business review and principal activity

The principal activity of the company during the year was the service, maintenance and installation of smoke control and ventilation systems.

Some of the company's key financial performance indicators are set out in the table below:

	2019	2018
Return on capital employed	(18.85)%	5.42%
Return on Equity	(27.03)%	5.54%
Gross margin	32.47%	37.34%
Trading margin	(7.94)%	2.32%

Results

The loss for the year, after taxation, amounted to £771,675 (2018: profit of £200,984).

The balance of the losses for the year amounting to £771,675 will be added to reserves and carried forward to the following year.

Future developments

The directors aim to continue with the profitable operation of the company in the coming year maintaining the strong management policies and plans that have been established. Management expect an improved financial performance in 2020 compared to 2019.

The main focus of activity will continue to be in the service and maintenance tranche of the business, although management is also committed to winning and delivering additional project installation work. It is also planned that the business will commence distribution of lighting products during 2020. Project installation and lighting product distribution are seen as a potentially important future part of the business and can be a notable revenue and profit generator.

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;
- Failure to innovate;
- Product failure;
- Business interruption (including IT continuity);
- Credit risks and credit control;
- Employee development and retention; and
- Fraud and cybercrime.

Kingspan Light + Air (UK & Ireland) Limited

Strategic Report *(continued)*

Year ended 31 December 2019

Principal risks and uncertainties *(continued)*

As set out in our subsequent events disclosure, the Company cannot reasonably estimate the impact that Covid-19 will have on the Company's financial position, results of operations or cash flows in the future. While the impact is still uncertain, the Company has considerable financial resources available to it and has implemented necessary public health measures to safeguard the health of its workforce.

As part of the annual risk assessment, the Board reviewed the company's internal assessment of the risks to the business under a wide range of headings that included: business strategy; financial including transactional and translation foreign exchange risks; compliance; human resources; operational; inventory; sales and purchasing; product development; R&D and quality control; fixed assets; IT; and others including macro-economic issues.

The Board identified and reported on the principal risks facing the business, and whilst recognising that these risks cannot be wholly eliminated, the Board is of the view that the risks are being appropriately addressed by the company's internal financial and management controls.

This report was approved by the board of directors on 19 June 2020 and signed on behalf of the board by:



Garrett Crowe
Director

Kingspan Light + Air (UK & Ireland) Limited

Directors' Report *(continued)*

Year ended 31 December 2019

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

Directors

The directors who served the company during the year were as follows:

Charles Hurdman	(Appointed 05/02/2019, Resigned 31/07/2019)
Liam McDaniel	(Appointed 09/01/2019)
Tom Neville	(Appointed 09/01/2019, Resigned 21/06/2019)
James Keeton	(Resigned 05/02/2019)
Wynne Jones	(Resigned 12/03/2019)
Brakel Investments BV.	

None of the directors at the end of the year had any interest in the shares of the Company, or of other group companies in the United Kingdom. The directors are not required to notify the Company of any interest in the shares of group companies outside the United Kingdom.

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 year ended 31 December 2019, in respect of the above-named directors.

Dividends

The directors do not recommend the payment of a dividend for the year ended 31 December 2019.

Post balance sheet events

On 11 March 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak to be a pandemic in recognition of its rapid spread across the globe, with over 150 countries now affected. Many governments are taking increasingly stringent steps to help contain or delay the spread of the virus. Currently, there is a significant increase in economic uncertainty coupled with more volatile asset prices and currency exchange rates.

For the Company's 31 December 2019 financial statements, the Coronavirus outbreak and the related impacts are considered non-adjusting events. Consequently, there is no impact on the recognition and measurement of assets and liabilities. Due to the uncertainty of the outcome of the current events, the Company cannot reasonably estimate the impact these events will have on the Company's financial position, results of operations or cash flows in the future. The Company has considerable financial resources available to it and the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The company has implemented necessary public health measures to safeguard the health of its workforce. To date there has been no material impact on the operation or output of the company.

There have been no other significant events subsequent to 31 December 2019 which would require disclosure in this report.

Branches

The company has no branches outside of the United Kingdom.

Political contributions

The company did not make any contributions for political purposes or to any political organisation during the year.

Kingspan Light + Air (UK & Ireland) Limited

Directors' Report *(continued)*

Year ended 31 December 2019

Financial instruments

The company does not hold any financial instruments.

Research and development

The company is primarily a Service and Maintenance business which carries out very limited research and development.

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.

Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

The directors are responsible for preparing the directors' report, strategic 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 they have elected to prepare the financial statements in accordance with FRS 101 *Reduced Disclosure Framework*.

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 year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal controls as they determine is 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.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that:

- so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and
- each director has taken all steps that they ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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 2.

Kingspan Light + Air (UK & Ireland) Limited

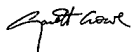
Directors' Report *(continued)*

Year ended 31 December 2019

Auditor

Pursuant to Section 516 of the Companies Act 2006, KPMG will resign from office as auditor.

This report was approved by the board of directors on 19 June 2020 and signed on behalf of the board by:



Garrett Crowe
Director



KPMG
Audit
1 Stokes Place
St. Stephen's Green
Dublin 2
D02 DE03
Ireland

Independent Auditor's Report to the Members of Kingspan Light + Air (UK & Ireland) Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Kingspan Light + Air (UK & Ireland) Limited ('the Company') for the year ended 31 December 2019 as set out on pages 10 to 25, which comprise the Profit and Loss Account and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and related notes, including the summary of significant accounting policies set out in note 2. The financial reporting framework that has been applied in their preparation is UK Law and FRS 101 *Reduced Disclosure Framework*.

In our opinion, the accompanying financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with FRS 101 *Reduced Disclosure Framework* and
- have been properly 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 ethical requirements that are relevant to our audit of financial statements in the UK, including the Financial Reporting Council (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.

We have nothing to report on going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model, including the impact of Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

Other information

The directors are responsible for the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the strategic and directors' report. The financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion



Independent Auditor's Report to the Members of Kingspan Light + Air (UK & Ireland) Limited *(continued)*

Report on the audit of the financial statements *(continued)*

Other information (continued)

on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Based solely on our work on the other information:

- we have not identified material misstatements in the directors' report or the strategic report;
- in our opinion, the information given in the directors' report and the strategic report is consistent with the financial statements;
- in our opinion, the directors' report and the strategic report have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Respective responsibilities and restrictions on use

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they 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



Independent Auditor's Report to the Members of Kingspan Light + Air (UK & Ireland) Limited (continued)

Respective responsibilities and restrictions on use (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

The purpose of our audit work and to whom we owe our responsibilities

Our 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.

Tom McEvoy (Senior Statutory Auditor)
for and behalf of KPMG, Statutory Auditor
1 Stokes Place
St Stephen's Green
Dublin 2
Ireland

19 June 2020

Kingspan Light + Air (UK & Ireland) Limited

Profit and loss account and other comprehensive income

Year ended 31 December 2019

	Note	2019 £	2018 £
Revenue	3	8,358,886	8,384,769
Cost of sales		<u>(5,048,369)</u>	<u>(5,253,663)</u>
Gross profit		3,310,517	3,131,106
Distribution costs		(109,185)	-
Administrative expenses		<u>(3,865,133)</u>	<u>(2,938,022)</u>
Operating (loss)/profit	4	(663,801)	193,084
Other interest receivable and similar income	6	4,554	1,250
Interest payable and similar expenses	7	<u>(21,547)</u>	<u>-</u>
(Loss)/profit before taxation		(680,794)	194,334
Income tax	8	<u>(90,881)</u>	<u>6,650</u>
(Loss)/profit for the financial year		<u>(771,675)</u>	<u>200,984</u>

All of the activities of the company are classed as continuing.

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.

The notes on pages 13 to 25 form part of these financial statements.

Kingspan Light + Air (UK & Ireland) Limited

Statement of Financial Position

as at 31 December 2019

	Note	2019 £	2018 £
Fixed assets			
Property, plant and equipment	9	363,515	205,657
Right of use assets	10	732,322	-
		<u>1,095,837</u>	<u>205,657</u>
Current assets			
Inventories	11	108,193	158,334
Trade and other receivables	12	2,025,868	2,520,115
Cash at bank and in hand		2,342,109	2,457,672
		<u>4,476,170</u>	<u>5,136,121</u>
Creditors: amounts falling due within one year			
Trade and other payable	13	1,766,590	1,677,246
Lease liabilities	10	283,331	-
		<u>2,049,921</u>	<u>1,677,246</u>
Net current assets		<u>2,426,249</u>	<u>3,458,875</u>
Total assets less current liabilities		<u>3,522,086</u>	<u>3,664,532</u>
Creditors: amounts falling due after one year			
Other payables	14	-	2,461
Lease liabilities	10	431,272	-
Provisions	15	236,318	36,000
Net assets		<u>2,854,496</u>	<u>3,626,071</u>
Capital and reserves			
Called up share capital	18	100	100
Profit and loss account		2,854,396	3,625,971
Total equity		<u>2,854,496</u>	<u>3,626,071</u>

These financial statements were approved by the board of directors on 19 June 2020, and are signed on behalf of the board by:



Garrett Crowe
Director

Company registration number: 02940609

The notes on pages 13 to 25 form part of these financial statements.

Kingspan Light + Air (UK & Ireland) Limited

Statement of Changes in Equity

Year ended 31 December 2019

	Called up share capital £	Profit and loss account £	Total £
At 1 January 2018	100	3,424,987	3,425,087
Profit for the year	—	200,984	200,984
Total comprehensive income for the year	—	200,984	200,984
At 31 December 2018	100	3,625,971	3,626,071
Loss for the year	—	(771,675)	(771,675)
Total comprehensive loss for the year	—	(771,675)	(771,675)
Adjustment	-	100	100
At 31 December 2019	<u>100</u>	<u>2,854,396</u>	<u>2,854,496</u>

The notes on pages 13 to 25 form part of these financial statements.

Kingspan Light + Air (UK & Ireland) Limited

Notes to the Financial Statements

Year ended 31 December 2019

1. General information

The company is a private company limited by shares, it is registered, incorporated and domiciled in the United Kingdom. Its registered number is 02940609 and the address of the registered office is Unit 7 Melyn Mair Business Centre, Wentloog Avenue, Cardiff, CF3 2EX.

These financial statements have been prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

2. Accounting policies

Basis of preparation

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

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:

- No cash flow statement has been presented.
- No comparative period reconciliations for share capital or tangible fixed assets have been presented.
- The effects of new but not yet effective IFRSs have not been disclosed.
- No disclosure has been given for the aggregate remuneration of key management personnel.
- No disclosure in respect of transactions with wholly owned subsidiaries.

As the consolidated financial statements of the ultimate parent, Kingspan Group Plc, include the equivalent disclosures, the Company has also taken exemption under FRS 101 available in respect of the following disclosures:

- IFRS 2 *Share Based Payments* in respect of group settled share based payments.
- IFRS 7 *Financial Instruments: Disclosures*.
- IFRS 13 *Fair Value Measurement*.

Changes in accounting policies and disclosures

New and amended standards and interpretations effective during 2019

IFRS 16 Leases

IFRS 16 is effective for accounting periods beginning on or after 1 January 2019, and the Company adopted IFRS 16 with effect from 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. For lessees, IFRS 16 eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model whereby all leases are accounted for as finance leases, with some exemptions for short-term and low-value leases. It also includes an election which permits a lessee not to separate non-lease components (e.g. maintenance) from lease components and instead capitalise both the lease cost and associated non-lease cost.

Kingspan Light + Air (UK & Ireland) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

2. Accounting policies

Changes in accounting policies and disclosures

New and amended standards and interpretations effective during 2019

IFRS 16 Leases

The standard primarily affects the accounting for the Company's operating leases. The application of IFRS 16 results in the recognition of additional assets and liabilities in the Statement of Financial Position and in the Profit and Loss Account and Other Comprehensive Income it replaces the straight-line operating lease expense with a depreciation charge for the right of use asset and an interest expense on the lease liabilities. The incremental borrowing rate is the rate of interest that the 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's weighted average incremental borrowing rate pertaining to these leases is 2.58%.

Definition of a lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

Transition

The Company adopted the new standard by applying the modified retrospective approach. At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the applicable incremental borrowing rate as at 1 January 2019. All right of use assets were measured at the amount of the lease liability on adoption, adjusted by the amount of any prepaid or accrued interest payments.

Previously under IAS 17 operating lease rentals were charged to the Profit and Loss Account and Other Comprehensive Income on a straight-line basis over the term of the lease. The Company availed of the recognition exemption for short-term and low-value leases and used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The Company also elected not to separate non-lease components from lease components and instead capitalise both the lease cost and associated non-lease cost.

The Company has also availed of the practical expedient which allows for a single discount rate to be applied to a portfolio of leases with reasonably similar characteristics.

Measurement

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. Lease liabilities are measured at the present value of the future lease payments, discounted at the Company's 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.

Kingspan Light + Air (UK & Ireland) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

2. Accounting policies *(continued)*

Changes in accounting policies and disclosures *(continued)*

New and amended standards and interpretations effective during 2019 (continued)

Measurement (continued)

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 rate, the basis of which is set out above.

IFRIC 23 Uncertainty over income tax treatment

IFRIC 23 is effective for accounting periods beginning on or after 1 January 2019, and the Company adopted IFRIC 23 with effect from 1 January 2019. IFRIC 23 sets out how to determine taxable profits and losses, tax bases, unused tax losses, unused tax credits and tax rates when there is uncertainty over income tax treatments under IAS 12 Income Taxes. Where the Company considers it is probable that an uncertain tax treatment will not be accepted by a tax authority it is measured using either the most likely amount method or the expected value method, as appropriate. The adoption and application of IFRIC 23 did not have a material impact on the Company.

Disclosure in respect of transactions with wholly owned subsidiaries

The company has availed of the exemptions in relation to disclosure of transactions with wholly owned subsidiaries under FRS101 paragraph 8(k).

Functional and presentation currency

The financial statements are presented in British pounds, which is also the Company's functional currency.

Foreign currencies

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the profit and loss account.

Accounting estimates and judgements

The company directors have made a number of financial estimates and judgements in compiling these financial statements. These estimates and judgements are outlined below:

Guarantees & warranties (Note 15)

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.

Valuation of inventory (Note 11)

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.

Recoverability of trade receivables (Note 12)

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.

Kingspan Light + Air (UK & Ireland) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

2. Accounting policies *(continued)*

Accounting estimates and judgements *(continued)*

Under IFRS 9 the Group 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.

Leases (Note 10)

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.

Income taxes (Note 8)

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.

Revenue recognition

The Company uses the five-step model as prescribed under IFRS 15 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 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. 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.

Income tax

Income tax in the Profit and Loss Account and Other Comprehensive Income represents the sum of current income tax and deferred tax not recognised in other comprehensive income or directly in equity.

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 or substantively enacted, at the reporting date and 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.

Kingspan Light + Air (UK & Ireland) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

2. Accounting policies *(continued)*

Income tax *(continued)*

Current tax (continued)

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

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 are measured at cost less accumulated depreciation and accumulated impairment losses.

An item of property, plant and equipment is derecognised upon disposal or when no longer in use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the Income Statement in the year the item is derecognised.

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Plant & Machinery - 3 to 10 years straight line

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.

Kingspan Light + Air (UK & Ireland) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

2. Accounting policies *(continued)*

Inventory *(continued)*

Net realisable value comprises the actual or estimated selling price in the ordinary course of business (less trade discounts), less all further costs to completion, and less all costs to be incurred in marketing, selling and distribution.

Provisions

A provision is recognised in the Statement of Financial Position when the Group 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 likely. 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 a current liability, reflecting the assessment that a current liability 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 a long-term obligation. Risk-based provisions will generally be aged as a non-current liability, 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

Upon adoption of IFRS 16 the accounting policy for the year ended 31 December 2019 is as follows:

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.

Prior to 1 January 2019 the policy was as follows:

Leases are classified as finance leases wherever substantially all of the risk and rewards of ownership of the asset have transferred to the lessee. All other leases are classified as operating leases. Assets held under finance leases are capitalised at the inception of the lease in the Statement of Financial Position at the lower of its fair value and the present value of the minimum lease payments and are depreciated over their useful lives with any impairment being recognised in the Profit and Loss Account and Other Comprehensive Income.

Kingspan Light + Air (UK & Ireland) Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2019

2. Accounting policies (continued)

Defined contribution retirement benefit scheme

The costs arising on the company's defined contribution schemes are recognised in the Income Statement in the period in which the related service is provided. The company has no legal or constructive obligations to pay further contributions in the event that the plan does not hold sufficient assets to provide retirement benefits.

Financial Assets

On initial recognition, a financial asset is classified as measured at amortised cost or fair value with any movement being reflected through other comprehensive income or the Profit and Loss Account and Other Comprehensive Income. On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment -by- investment basis.

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. Trade receivables are considered for impairment on a case by case basis, when they are past due or when objective evidence is received that a specific counterparty may default. Trade receivables are written-off when there is no reasonable expectation of recovery. In the event recoveries are made, these are recognised in the Profit and Loss Account and Other Comprehensive Income.

Financial Liabilities

Financial liabilities held for trading are measured at fair value through the profit and loss, and all other financial liabilities are measured at amortised cost unless the fair value option is applied.

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.

3. Revenue

Revenue arises from:

	2019 £	2018 £
Sale of goods	<u>8,358,886</u>	<u>8,384,769</u>
Disaggregation of revenue 2019:		
	2019	2018
	£	£
Point of Time	6,930,042	6,132,847
Over Time	<u>1,428,844</u>	<u>2,251,922</u>
	<u>8,358,886</u>	<u>8,384,769</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 by either class or market.

Kingspan Light + Air (UK & Ireland) Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2019

4. Operating (loss)/profit

Operating (loss)/profit is stated after charging:

	2019 £	2018 £
Depreciation of property, plant and equipment and right of use assets	350,547	94,825
Impairment of tangible assets	-	15,279
Impairment of stocks	-	14,000
Impairment of trade debtors	(1,389)	161,000
Foreign exchange differences	(10,536)	16,549
Fees payable for the audit of the financial statements	<u>1,892</u>	<u>24,882</u>

The cost of any non-audit services provided by the auditor are borne by a related entity.

5. Staff costs

The average number of persons employed by the company during the year, including the directors, amounted to:

	2019 No.	2018 No.
Production staff	50	48
Distribution staff	15	12
Administrative staff	31	30
	<u>96</u>	<u>90</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	2019 £	2018 £
Wages and salaries	3,521,853	2,948,828
Social security costs	381,062	327,265
Retirement benefit costs	121,785	58,237
	<u>4,024,700</u>	<u>3,334,330</u>

No wages and salaries or related costs were capitalised in the current or prior year.

6. Other interest receivable and similar income

	2019 £	2018 £
Interest on cash and cash equivalents	<u>4,554</u>	<u>1,250</u>

7. Other interest payable and similar charges

	2019 £	2018 £
Lease interest	<u>21,547</u>	<u>-</u>

Kingspan Light + Air (UK & Ireland) Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2019

8. Income tax

Major components of tax expense

	2019 £	2018 £
Current tax:		
UK current tax expense	-	-
Adjustments in respect of prior periods	-	96,005
Total current tax	-	96,005
Deferred tax:		
Origination and reversal of timing differences	1,502	(102,655)
Adjustment in respect of prior years	89,379	-
Total deferred tax	90,881	(102,655)
Income tax	90,881	(6,650)

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is lower than (2018: lower than) the standard rate of corporation tax in the UK of 19% (2018: 19%).

	2019 £	2018 £
(Loss)/profit on ordinary activities before taxation	(680,794)	194,334
(Loss)/profit on ordinary activities by rate of tax	(129,351)	36,923
Adjustment to tax charge in respect of prior periods	-	96,006
Effect of expenses not deductible for tax purposes	3,113	30,764
Other adjustments	85,327	(46,187)
Group Relief	131,792	(124,156)
Income tax	90,881	(6,650)

9. Property, plant and equipment

	Plant and machinery £
Cost	
At 1 January 2019	462,287
Additions	221,631
Disposals	(51,841)
Transfers	15,279
At 31 December 2019	647,356
Depreciation	
At 1 January 2019	256,630
Charge for the year	64,916
Disposals	(37,705)
At 31 December 2019	283,841

Kingspan Light + Air (UK & Ireland) Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2019

9. Property, plant and equipment (continued)

Carrying amount	
At 31 December 2019	363,515
At 31 December 2018	205,657

10. Leases

A new accounting standard, IFRS 16 Leases, was adopted with effect from 1 January 2019. The standard requires leases which were previously treated as operating leases to be recognised as a lease liability with the associated asset capitalised and treated as a right of use asset.

Right of use asset

	Land and buildings	Motor vehicles	Total 2019
	£	£	£
At 1 January 2019	272,733	99,634	372,367
Additions	-	741,840	741,840
Depreciation charge for the year	(43,756)	(241,875)	(285,631)
Terminations	-	(97,513)	(97,513)
Remeasurements	-	1,259	1,259
At 31 December 2019	228,977	503,345	732,322

Lease liability

	2019 £
At 1 January 2019	344,985
Additions	740,781
Terminations	(98,218)
Payments	(294,106)
Interest	21,161
At 31 December 2019	714,603
Split as follows:	
Current liability	283,331
Non-current liability	431,272
At 31 December 2019	714,603

Maturity analysis – contractual undiscounted cashflows

	2019 £
Less than one year	336,328
One to five years	457,960
More than five years	23,347
	817,635

Kingspan Light + Air (UK & Ireland) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

11. Inventories

	2019 £	2018 £
Finished goods and goods for resale	<u>108,193</u>	<u>158,334</u>

The above carrying value is shown net of an inventory provision of £116,101 (2018: £14,000).

A total of £2,977,594 (2018: £2,635,529) of inventories was included in the Income Statement as an expense.

12. Trade and other receivables

	2019 £	2018 £
Trade debtors	1,648,895	1,713,520
Amounts owed by group undertakings	89,775	250,108
Deferred tax asset (note 16)	11,774	102,655
Prepayments	44,642	60,989
Other debtors	230,782	392,843
	<u>2,025,868</u>	<u>2,520,115</u>

Amounts owed by group undertakings are unsecured, interest free and are payable on demand.

13. Creditors: amounts falling due within one year

	2019 £	2018 £
Trade creditors	282,088	699,634
Amounts owed to group undertakings	908,638	400,292
Accruals	121,872	153,506
Deferred income	73,218	29,375
Social security and other taxes	316,387	333,098
Corporation tax	64,387	59,951
Finance lease	-	1,390
	<u>1,766,590</u>	<u>1,677,246</u>

Amounts owed to group companies are unsecured, interest free and fall due on demand.

14. Other payables

	2019 £	2018 £
Obligations under finance leases and hire purchase contracts	<u>-</u>	<u>2,461</u>

Kingspan Light + Air (UK & Ireland) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

15. Provisions

	Warranties £
At 1 January 2019	36,000
Profit and loss charge	312,087
Claims paid	(111,769)
At 31 December 2019	<u>236,318</u>

The following provisions have been recorded in respect of warranties and guarantees.

	2019 £	2018 £
Risk based provision	<u>23,388</u>	<u>36,000</u>

16. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2019 £	2018 £
Included in trade and other receivables (note 12)	<u>(11,774)</u>	<u>(102,655)</u>

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

	2019 £	2018 £
Accelerated capital allowances	(9,187)	(10,678)
Other timing differences	(2,587)	(91,977)
	<u>(11,774)</u>	<u>(102,655)</u>

17. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £121,785 (2018: £58,237).

18. Called up share capital

Authorised share capital

	2019 £	2018 £
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

Issued, called up and fully paid

	2019 No.	£	2018 No.	£
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

Kingspan Light + Air (UK & Ireland) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

19. Controlling party

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

The immediate parent company is Brakel Investments B.V., a company incorporated in the Netherlands.

A copy of the consolidated accounts of Kingspan Group Plc can be obtained at www.kingspan.com.

20. Comparative information

Comparative information has been represented where necessary, to present the financial statements on a consistent basis.

21. Subsequent events

On 11 March 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak to be a pandemic in recognition of its rapid spread across the globe, with over 150 countries now affected. Many governments are taking increasingly stringent steps to help contain or delay the spread of the virus. Currently, there is a significant increase in economic uncertainty coupled with more volatile asset prices and currency exchange rates.

For the Company's 31 December 2019 financial statements, the Coronavirus outbreak and the related impacts are considered non-adjusting events. Consequently, there is no impact on the recognition and measurement of assets and liabilities. Due to the uncertainty of the outcome of the current events, the Company cannot reasonably estimate the impact these events will have on the Company's financial position, results of operations or cash flows in the future. The Company has considerable financial resources available to it and the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The company has implemented necessary public health measures to safeguard the health of its workforce. To date there has been no material impact on the operation or output of the company.

There have been no other significant events subsequent to 31 December 2019 which would require disclosure in this report.

22. Approval of the financial statements

The financial statements were approved by the directors on 19 June 2020.