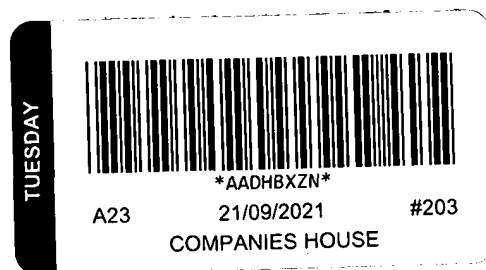


COMPANY REGISTRATION NUMBER: NI017631

Kingspan Water & Energy Limited
Directors' Report and Financial Statements
31 December 2020



Kingspan Water & Energy Limited

Directors' Report and Financial Statements

Year ended 31 December 2020

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Kingspan Water & Energy Limited

Officers and Professional Advisers

The Board of Directors	Pat Freeman Barry Keeley
Company secretary	Kingspan Group Limited
Registered office	180 Gilford Road Portadown Co. Armagh BT63 5LE Northern Ireland
Auditor	Ernst & Young LLP 16 Bedford Street Belfast BT2 7DT
Bankers	Danske Bank National Westminster Bank Plc
Solicitors	Allen & Overy LLP One Bishops Square London E1 6AD England
Registered number	NI017631

Kingspan Water & Energy Limited

Strategic Report

Year ended 31 December 2020

The Directors present their Strategic Report and the financial statements of the Company for the year ended 31 December 2020.

Business review and principal activity

Kingspan Water & Energy Limited offer premium and sustainable ways of sourcing, storing and protecting energy and water. We are experts and innovators in the following fields; environmentally responsible Energy Storage Solutions, Wastewater Treatment and Water Recycling and Hot Water Energy Storage. We also offer affordable Monitoring and Service packages for all the products we supply, powering homes and businesses on a global scale.

The Company delivered a strong operating performance in 2020 despite the challenging revenue performance, owing largely to tight margin management as reflected in the below performance indicators.

The Company's key financial performance indicators are set out in the table below:

	2020	2019
Gross Margin	38.01%	37.50%
Operating Margin	5.23%	4.69%

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

	2020	2019
Employee numbers	718	742
Days lost due to accidents	61	283
Total waste in tonnes	1,824	1,904
Percentage of waste recycled/reused	59%	96%

Results

The profit for the year, after taxation, amounted to £4,618,861 (2019: £4,566,831). There were no dividends paid or proposed in the year.

The balance of the profits for the year amounting to £4,618,861 will be added to reserves and carried forward to the following year.

Future developments

2021 has got off to a positive start with order intake remaining strong in the period.

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 2020:

(I) Stakeholders

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

Kingspan Water & Energy Limited

Strategic Report *(continued)*

Year ended 31 December 2020

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. *(continued)*

(I) Stakeholders *(continued)*

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 set out a number of policies that set out the operational framework for the Board of Directors. The Directors are committed to ensuring that the company complies with these policies. These include:

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

Customers

The Company's relationships with its customers is critical to the Company's success. Maintaining those relationships is a high priority for all employees throughout the Company.

Everything that our customers experience with Kingspan matters to us - whether it's the performance of our product solutions, the responsiveness of our service teams or the efficiency of our deliveries, we strive to provide a positive experience for everyone.

During 2018, in order to improve our engagement with our customers, the Net Promoter Score (NPS) programme was launched by Kingspan Group plc (the Company's ultimate parent company) across the entire Group. This structured customer feedback programme provides us with the valuable insight we need to make informed decisions about change - large or small. We act on this feedback to drive improvements and innovations across our business so we can deliver the best experiences to our customers. For 2021 performance against NPS targets has been incorporated into executive remuneration performance targets.

Suppliers

Kingspan has developed an 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.

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 are 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.

Kingspan Water & Energy Limited

Strategic Report *(continued)*

Year ended 31 December 2020

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. *(continued)*

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 (our ultimate parent company) will be launching 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 will allow 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.

(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 2021, 2022, 2023 and 2024 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 markets 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 not pay a dividend in the year (2019 £4,000,000).
 - 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 group net of the dividend payment.

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 Directors. 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 industrial) 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, interest rates, business / consumer confidence levels, unemployment, population growth). While construction markets are inherently cyclical, changing building and environmental regulations continue to act as an underlying positive structural trend for demand for many of the Company's products.

Kingspan Water & Energy Limited

Strategic Report *(continued)*

Year ended 31 December 2020

Principal risks and uncertainties *(continued)*

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 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.

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 as a whole 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. Embedded within climate change risks are energy regulations, change in customer preferences and global supply. 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.

Credit risks and credit control

As part of the overall service package, 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.

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.

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. Noncompliance can lead to potential legal liabilities and curtail the development of the Company.

Financial Risk Management

In the normal course of business, the Company has exposure to a variety of financial risks, including liquidity risk, interest rate risk, foreign exchange 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

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

Kingspan Water & Energy Limited

Strategic Report *(continued)*

Year ended 31 December 2020

Financial Risk Management *(continued)*

Liquidity (continued)

liabilities when due. The Company is party to Group cash management arrangements and receives funding from Group Treasury as required.

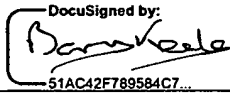
Credit risk

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.

Interest rate and FX risk

The company has no significant exposure to these risks.

This report was approved by the Board of Directors on 9 September 2021 and signed on behalf of the Board by:

DocuSigned by:

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Barry Keeley
Director

Kingspan Water & Energy Limited

Directors' Report

Year ended 31 December 2020

The Directors present the Directors' Report and financial statements for the year ended 31 December 2020.

Going Concern

The directors have reviewed budgets and projected cash flows for a period to 4.5 years from the date of this Financial Statement, including modelling sensitivities that consider the risk of reductions in revenues due to more adverse trading conditions. These financial forecasts and sensitivities show the Company is expected to continue to be cash generative taking account of possible changes in trading performance. However, the Company's cash balances are managed through a cash pooling arrangement within the Kingspan group. Consequently, the ability of the Company to continue as a going concern is reliant on the Kingspan Group continuing as a going concern. Kingspan Group has confirmed that it will continue to provide financial support to the Company for at least the next 12 months. The directors are satisfied that Kingspan Group has sufficient cash and liquidity to provide this support as necessary. In particular, both the directors of the Company and those Kingspan Group plc have considered the impact of COVID-19 on the financial performance and cash flows of the Kingspan Group, including modelling sensitivities that consider the risk of reductions in revenues due to more adverse trading conditions, and which indicate the Kingspan Group is expected to continue to be cash generative and meet its obligations as they fall due for at least the next 12 months. Consequently, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Directors

The Directors who served the Company during the year were as follows:

Pat Freeman
Barry Keeley

None of the Directors at the end of the year had any interest in the shares of the Company.

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 2020, in respect of the above-named Directors.

Dividends

Particulars of recommended dividends are detailed in note 9 to the financial statements.

Post balance sheet events

On 4 July 2021, the trade, assets and liabilities of fellow group company Tanks Direct Limited transferred into the company at their carrying value.

On 31 October 2021, the trade, assets and liabilities of fellow group company Fuel Tank Shop Limited are expected to transfer into the company at their carrying value.

There have been no other significant events subsequent to 31 December 2020 which would require disclosure in this report.

Kingspan Water & Energy Limited

Directors' Report *(continued)*

Year ended 31 December 2020

Branches

The Company has one foreign branch which is located in Ireland.

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.

Research and development

Ensuring a continuous flow of new product developments has always been a core theme for 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 sustainable ways of sourcing, storing and protecting energy and water. The Company will continue to invest in research & development through 2021.

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 Strategic Report, 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 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, and identify those standards 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.

Kingspan Water & Energy Limited

Directors' Report *(continued)*

Year ended 31 December 2020

Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements *(continued)*

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.

Energy and carbon emissions

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.

2020 was the first full year of implementing the initiatives of our Planet Passionate programme. 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);
- 100% zero emission company cars by 2025;

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

	2020
UK Energy use (kWh) (electricity and gas)	24,298,474
Associated Greenhouse gas emissions Tonnes CO2 equivalent	3,904
Intensity ratio - Emissions as a percentage of sales	27%

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

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' report confirms that:

- so far as they are 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 themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Political donations

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

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 Water & Energy Limited

Directors' Report *(continued)*

Year ended 31 December 2020

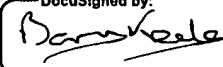
Prior period adjustment

As part of the year-end review it was found that deferred tax was not calculated on share options in previous years. This has been amended in the prior year.

Auditor

During the prior year, a formal external audit tender process was undertaken, and the Company selected Ernst & Young LLP, as the external auditor for the year ending 31 December 2020. This was approved on 11 June 2020. Pursuant to Section 516 of the Companies Act 2006, KPMG have accordingly resigned as external auditors of the Company. Ernst & Young LLP will continue in office in accordance with Section 487 of the Companies Act 2006.

This report was approved by the Board of Directors on 9 September 2021 and signed on behalf of the Board by:

DocuSigned by:

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Barry Keeley
Director

**Independent Auditor's Report to the Members of
Kingspan Water & Energy Limited**

Year ended 31 December 2020

Opinion

We have audited the financial statements of Kingspan Water & Energy Limited for the year ended 31 December 2020 which comprise Profit and loss account and other comprehensive income, the Statement of financial position, the Statement of changes in equity, and the related notes 1 to 27, 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 "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 2020 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 12 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.

Other information

The other information comprises the information included in the annual report set out in pages 2 to 10 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 there is 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.

**Independent Auditor's Report to the Members of
Kingspan Water & Energy Limited**

Year ended 31 December 2020

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 directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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.

**Independent Auditor's Report to the Members of
Kingspan Water & Energy Limited**

Year ended 31 December 2020

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

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 those that relate to the reporting framework (FRS 101 and the Companies Act 2006) and the relevant direct and indirect tax compliance regulation in the United Kingdom. In addition, the company has to comply with laws and regulations relating to its operations, including in relation to health and safety and GDPR.
- We understood how the company is complying with those frameworks by making inquiries of management to understand how the company maintains and communicates its policies and procedures in these areas. We corroborated our inquiries through reading board minutes and correspondence with relevant authorities;
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override and by assuming revenue recognition, sales rebates and the measurement of warranty provisions to be fraud risks. Our testing of revenue included agreeing specific transactions to supporting invoices, delivery documentation, customer contracts and the receipt of payment in bank statements, and the testing of certain revenue journals. In respect of sales rebates and warranty provisions our testing included reading customer contracts, challenging and independently corroborating management's assumptions, and considering past warranty and rebate experience. ;
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved testing journals identified by specific risk criteria. We read the minutes of Directors' meetings to identify any non-compliance with laws and regulations. We also made enquiries with the Directors and of management of the company regarding compliance with laws and regulations.

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.

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.

Ernst + Young LLP

Michael Christie (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Belfast
Date: 15 September 2021

Kingspan Water & Energy Limited

Profit and Loss Account and Other Comprehensive Income

Year ended 31 December 2020

	Note	2020 £	2019 <i>Restated</i> £
Revenue	3	91,514,847	95,742,166
Cost of sales		<u>(56,729,916)</u>	<u>(59,834,255)</u>
Gross profit		34,784,931	35,907,911
Distribution costs		(6,993,013)	(6,746,439)
Administrative expenses		(23,084,740)	(25,458,108)
Other operating income		75,532	783,017
Operating profit	4	4,782,710	4,486,381
Interest receivable and similar income	7	9,969	82,391
Interest payable and similar expenses	8	<u>(29,555)</u>	<u>(41,207)</u>
Profit before taxation		4,763,124	4,527,565
Income tax charge for the year	9	<u>(144,263)</u>	<u>39,266</u>
Profit for the financial year		<u>4,618,861</u>	<u>4,566,831</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 17 to 33 form part of these financial statements.

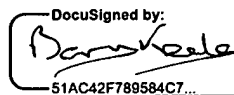
Kingspan Water & Energy Limited

Statement of Financial Position

As at 31 December 2020

		2020		2019
	Note	£	£	<i>Restated</i> £
Fixed assets				
Property, plant and equipment	11	24,482,057		25,266,121
Right of use asset	15	1,199,406		1,340,441
			<u>25,681,463</u>	<u>26,606,562</u>
Current assets				
Inventory	12	8,950,579		10,631,700
Trade and other receivables	13	79,576,982		82,151,913
Cash at bank and in hand		11,622,811		6,041,880
			<u>100,150,372</u>	<u>98,825,493</u>
Creditors: amounts falling due within one year				
Trade and other payables	14	57,858,342		62,687,895
Lease liabilities	15	567,304		656,368
			<u>58,425,646</u>	<u>63,344,263</u>
Net current assets			<u>41,724,726</u>	<u>35,481,230</u>
Total assets less current liabilities			<u>67,406,189</u>	<u>62,087,792</u>
Provisions				
Other provisions	16	3,041,779		3,044,822
Deferred taxation	17	(99,886)		(232,914)
Lease liabilities	15	509,657		602,846
			<u>3,451,550</u>	<u>3,414,754</u>
Net assets			<u>63,954,639</u>	<u>58,673,038</u>
Capital and reserves				
Called up share capital	21		130,002	130,002
Share premium account			35,308,371	35,308,371
Other reserves			5,696,508	5,033,768
Profit and loss account			22,819,758	18,200,897
Total equity			<u>63,954,639</u>	<u>58,673,038</u>

These financial statements were approved by the Board of Directors on 9 September 2021, and were signed on behalf of the Board by:

DocuSigned by:

 51AC42F789584C7...

Barry Keeley
Director

Company registration number: NI017631

The notes on pages 17 to 33 form part of these financial statements.

Kingspan Water & Energy Limited

Statement of Changes in Equity

Year ended 31 December 2020

	Note	Called up share capital £	Share premium account £	Other reserves £	Profit and loss account £	Total equity £
At 1 January 2019		120,002	24,372,881	4,451,409	17,634,066	46,578,358
Profit for the year (as restated)		-	-	-	4,566,831	4,566,831
Total comprehensive income for the year		-	-	-	4,566,831	4,566,831
Issue of shares	21	10,000	10,935,490	-	-	10,945,490
Dividends paid and payable	10	-	-	-	(4,000,000)	(4,000,000)
Equity-settled share-based payments	19	-	-	582,359	-	582,359
Total investments by and distributions to owners		10,000	10,935,490	582,359	(4,000,000)	7,527,849
At 31 December 2019 (as restated)		130,002	35,308,371	5,033,768	18,200,897	58,673,038
Profit for the year		-	-	-	4,618,861	4,618,861
Total comprehensive income for the year		-	-	-	4,618,861	4,618,861
Equity-settled share-based payments	19	-	-	662,740	-	662,740
Total investments by and distributions to owners		-	-	662,740	-	662,740
At 31 December 2020		130,002	35,308,371	5,696,508	22,819,758	63,954,639

Kingspan Water & Energy Limited

Notes to the Financial Statements

Year ended 31 December 2020

1. General information

Kingspan Water & Energy Limited (the "Company") is a private company incorporated and registered in Northern Ireland and domiciled in the United Kingdom. The registered number is NI017631 and the registered address is 180 Gilford Road, Portadown, Co. Armagh, BT63 5LE, Northern Ireland. 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 IFRS"), but makes amendments where necessary in order to comply with the 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.

Functional and presentation currency

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

Going Concern

The directors have reviewed budgets and projected cash flows for a period to 4.5 years from the date of this Financial Statement, including modelling sensitivities that consider the risk of reductions in revenues due to more adverse trading conditions. These financial forecasts and sensitivities show the Company is expected to continue to be cash generative taking account of possible changes in trading performance. However, the Company's cash balances are managed through a cash pooling arrangement within the Kingspan group. Consequently, the ability of the Company to continue as a going concern is reliant on the Kingspan Group continuing as a going concern. Kingspan Group has confirmed that it will continue to provide financial support to the Company for at least the next 12 months. The directors are satisfied that Kingspan Group has sufficient cash and liquidity to provide this support as necessary. In particular, both the directors of the Company and those Kingspan Group plc have considered the impact of COVID-19 on the financial performance and cash flows of the Kingspan Group, including modelling sensitivities that consider the risk of reductions in revenues due to more adverse trading conditions, and which indicate the Kingspan Group is expected to continue to be cash generative and meet its obligations as they fall due for at least the next 12 months. Consequently, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Kingspan Water & Energy Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2020

2. Accounting policies *(continued)*

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 rates ruling at the reporting date, with any gains or losses being taken to the profit and loss account.

Changes in accounting policies and disclosures

There were a number of amendments to standards and interpretations effective for the Company from 1 January 2020, 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.

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 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 exemption under FRS 101 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.

Accounting estimates, judgements and key sources of estimation uncertainty

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

Guarantees & warranties (Note 16)

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.

Kingspan Water & Energy Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2020

2. Accounting policies *(continued)*

Accounting estimates and judgements *(continued)*

Valuation of inventory (Note 12)

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.

Recoverability of trade receivables (Note 13)

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.

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.

Leases (Note 15)

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. 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 (Note 9)

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 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

Kingspan Water & Energy Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2020

2. Accounting policies *(continued)*

Revenue recognition *(continued)*

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 customer 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 required 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 the contract then a single purchase order is identified and the revenue is recognised over time.

Income tax

Income tax in the Profit and Loss Account 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 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.

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

Kingspan Water & Energy Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2020

2. Accounting policies *(continued)*

Income tax (continued)

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.

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.

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.

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.

Kingspan Water & Energy Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2020

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 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.

Property, plant and equipment

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

An item of property, plant and equipment is de-recognised 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.

Property, plant and equipment, excluding freehold land, is depreciated at appropriate rates in order to write them off over their expected useful life to their residual values. Depreciation is provided on a straight line basis at the rates stated below:

Freehold Buildings	-	2% straight line
Plant & Machinery	-	10-20% straight line and 12.5% reducing balance
Motor Vehicles	-	20% straight line

Estimated useful lives and residual values are re-assessed annually.

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.

Grants

Grants are recognised at their fair value when there is a reasonable assurance that the grant will be received and all relevant conditions have been complied with.

Capital grants received and receivable in respect of property, plant and equipment are treated as a reduction in the cost of that asset and thereby amortised to the Income Statement in line with the underlying asset.

Revenue grants are recognised in the Statement of Profit and Loss and Other comprehensive income to offset the related expenditure.

A contingent liability is disclosed for grants, see note 19, which have been received but where there are conditions under which the grants are partly or wholly repayable.

Kingspan Water & Energy Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2020

2. Accounting policies *(continued)*

Provisions

A provision is recognised in the Statement of Financial Position 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 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.

Defined contribution retirement benefit scheme

The Company operates a defined contribution pension scheme. The costs arising on the Company's defined contribution schemes are recognised in the Profit and Loss Account and Other Comprehensive Income 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 Kingspan Water & Energy Limited. 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.

Finance Income

Finance income relates to interest income on funds invested. Interest income is recognised as it accrues using the effective interest rate method.

Kingspan Water & Energy Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2020

2. Accounting policies *(continued)*

Finance Expense

Finance expense comprises interest payable on borrowings calculated using the effective interest rate method and lease interest.

Dividends

Dividends on ordinary shares are recognised as a liability in the financial statements only after they have been approved by the Board of Directors.

3. Revenue

Revenue arises from:

	2020	2019
	£	£
Sale of goods	91,514,847	95,742,166
	<u>91,514,847</u>	<u>95,742,166</u>
Disaggregation of revenue:		
	2020	2019
	£	£
Point of Time	89,924,724	95,073,141
Over Time	1,590,123	669,025
	<u>91,514,847</u>	<u>95,742,166</u>

The Directors consider it to be seriously prejudicial to the interests of the Company to disclose further information regarding revenue.

4. Operating profit

Operating profit is stated after charging/(crediting):

	2020	2019
	£	£
Depreciation of property, plant and equipment and right of use asset	2,270,590	2,374,215
Losses on disposal of property, plant and equipment	88,236	183,460
Equity-settled share-based payments expense	662,740	582,359
Foreign exchange differences	(20,090)	105,154
Defined contribution retirement benefit scheme	1,014,228	1,080,493
Fees payable for the audit of the financial statements	74,484	49,101
Government grant income	-	(6,385)
Write off of intercompany balances	-	728,445
	<u>2,270,590</u>	<u>2,374,215</u>

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

Kingspan Water & Energy Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2020

5. Staff numbers and costs

The average number of persons employed by the Company during the year, including the Directors, amounted to:

	2020 No.	2019 No.
Production staff	482	446
Distribution staff	69	68
Administrative staff	167	228
	<u>718</u>	<u>742</u>

The aggregate staff payroll costs incurred during the year, were:

	2020 £	2019 £
Wages and salaries	25,446,832	24,278,827
Social security costs	2,298,091	2,471,731
Other retirement benefit costs	995,911	1,065,750
	<u>28,740,834</u>	<u>27,816,308</u>

The wages and salaries figure above includes employee share based payments of £662,740 (2019: £582,359). No wages and salaries or related costs were capitalised in the current or prior year.

6. Directors remuneration

The directors' aggregate remuneration in respect of qualifying services were:

	2020 £	2019 £
Wages and salaries	554,447	378,787
Other retirement benefit costs	18,317	14,743
	<u>572,764</u>	<u>393,530</u>

Remuneration of the highest paid director in respect of qualifying services:

	2020 £	2019 £
Aggregate remuneration	292,935	214,869
Gains on share options	392,780	-
	<u>685,715</u>	<u>214,869</u>

7. Interest receivable and similar income

	2020 £	2019 £
Interest on cash and cash equivalents	<u>9,969</u>	<u>82,391</u>

8. Interest payable and similar expenses

	2020 £	2019 £
Lease interest	<u>29,555</u>	<u>41,207</u>

Kingspan Water & Energy Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2020

9. Income tax

Major components of tax expense

	2020	2019 (as restated)
	£	£
Current tax:		
Current tax expense	-	-
Adjustments in respect of prior periods	11,235	479,647
Deferred tax:		
Origination and reversal of temporary differences	194,038	(458,979)
Adjustment in respect of prior years	(61,010)	(59,934)
Income tax	<u>144,263</u>	<u>(39,266)</u>

Reconciliation of tax expense

The tax assessed on the profit before tax for the year is lower than (2019: lower than) the standard rate of corporation tax in the UK of 19% (2019: 19%).

	2020	2019 (as restated)
	£	£
Profit before taxation	4,763,124	4,527,565
Profit before taxation by standard rate of tax	904,994	860,237
Adjustment to tax charge in respect of prior periods	(49,775)	479,647
Effect of expenses not deductible for tax purposes	339,770	370,372
Other adjustments	(12,431)	(727,528)
Group relief received	(1,038,294)	(1,021,994)
Tax charge on profit	<u>144,263</u>	<u>(39,266)</u>

Kingspan Water & Energy Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2020

10. Dividends

Dividends paid during the year (excluding those for which a liability existed at the end of the prior year):

	2020 £	2019 £
Dividend on equity shares at £Nil per share (2019: £30.7688)	-	4,000,000

During the year, the Company paid a dividend of £Nil (2019: £4,000,000) to its parent company, T.T. Plastics Limited.

11. Property, plant and equipment

	Freehold property £	Plant and machinery £	Motor vehicles £	Total £
Cost				
At 1 January 2020	25,128,802	26,074,378	474,831	51,678,011
Additions	15,650	752,389	-	768,039
Disposals	(84,546)	(5,030,429)	(197,489)	(5,312,464)
Transfers	(101,796)	(26,077)	(12,276)	(140,149)
At 31 December 2020	<u>24,958,110</u>	<u>21,770,261</u>	<u>265,066</u>	<u>46,993,437</u>
Depreciation				
At 1 January 2020	5,605,017	20,430,398	376,475	26,411,890
Charge for the year	421,290	1,025,696	(10,122)	1,436,864
Disposals	(36,625)	(4,963,114)	(197,486)	(5,197,225)
Transfers	(49,433)	(89,488)	(1,228)	(140,149)
At 31 December 2020	<u>5,940,249</u>	<u>16,403,492</u>	<u>167,639</u>	<u>22,511,380</u>
Carrying amount				
At 31 December 2020	<u>19,017,861</u>	<u>5,366,769</u>	<u>97,427</u>	<u>24,482,057</u>
At 31 December 2019	<u>19,523,785</u>	<u>5,643,980</u>	<u>98,356</u>	<u>25,266,121</u>

The asset transfers above relate to the transfer of assets to and from fellow group companies.

Capital commitments

There were no capital commitments at the end of the year.

Kingspan Water & Energy Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2020

12. Inventory

	2020 £	2019 £
Raw materials and consumables	6,289,955	5,799,375
Work in progress	741,891	669,706
Finished goods and goods for resale	1,918,733	4,162,619
	8,950,579	10,631,700

The above carrying value is shown net of an inventory provision of £1,351,887 (2019: £1,137,906).

A total of £ 35,855,498 (2019: £41,114,135) of inventories was included in the Statement of profit and loss and other comprehensive income as an expense.

13. Trade and other receivables

	2020 £	2019 £
Trade debtors	20,309,919	18,538,451
Other debtors	14,369	-
Amounts owed by group undertakings	58,824,390	62,786,897
Prepayments	428,304	826,565
	79,576,982	82,151,913

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

14. Trade and other payables

	2020 £	2019 <i>Restated</i> £
Trade creditors	14,238,935	11,456,296
Amounts owed to group undertakings	26,964,158	37,909,149
Accruals	10,061,845	11,541,177
Deferred income	2,819,549	572,446
Social security and other taxes	3,470,158	1,087,300
Other creditors	303,697	121,527
	57,858,342	62,687,895

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

Kingspan Water & Energy Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2020

15. Leases

Right of use asset

	Land and buildings	Motor vehicles	Plant	Total
	£	£	£	£
At 1 January 2020	670,794	669,647		1,340,441
Additions	-	442,499	-	442,499
Depreciation charge for the year	(236,020)	(592,020)	(5,686)	(833,726)
Terminations	-	(30,721)	-	(30,721)
Remeasurement	855	271,990	8,068	280,913
At 31 December 2020	435,629	761,395	2,382	1,199,406

Lease liability

	2020 £	2019 £
At 1 January 2020	1,259,214	2,024,659
Additions	411,483	144,841
Terminations	(29,673)	(4,693)
Payments	(870,427)	(946,874)
Interest	29,555	41,281
Remeasurement	276,809	-
At 31 December 2020	1,076,961	1,259,214
<i>Split as follows:</i>		
Current liability	567,304	656,368
Non-current liability	509,657	602,846
At 31 December 2020	1,076,961	1,259,214

Maturity analysis – contractual undiscounted cashflows

	2020 £	2019 £
Less than one year	584,272	682,043
One to five years	518,599	617,773
More than five years	-	-
	1,102,871	1,299,816

Kingspan Water & Energy Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2020

16. Provisions

	Warranties £	Deferred tax (note 17) £	Total £
At 1 January 2020	3,044,822	(232,914)	2,811,908
Increase in year	1,292,984	133,028	1,426,012
Utilised	(821,883)	–	(821,883)
Unused amounts reversed	(474,144)	–	(474,144)
At 31 December 2020	<u>3,041,779</u>	<u>(99,886)</u>	<u>2,941,893</u>

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

	2020 £	2019 £
Specific provision	1,921,881	1,614,934
Risk based provision	1,119,898	1,429,888
Total	<u>3,041,779</u>	<u>3,044,822</u>

The Company manufactures a wide range of Energy Storage & Wastewater treatment 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. Both the number of claims and the cost of settling the claim are sensitive to change but not to such an extent as would cause a material change in the provision. 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.

17. Deferred tax

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

	2020 £	2019 <i>Restated</i> £
Included in provisions (note 16)	<u>(99,886)</u>	<u>(232,914)</u>

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

	2020 £	2019 <i>Restated</i> £
Accelerated capital allowances	474,341	356,312
Other timing differences	<u>(574,227)</u>	<u>(589,226)</u>
	<u>(99,886)</u>	<u>(232,914)</u>

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. The Company does not expect the increase in the corporate tax rate to materially impact the measurement of deferred tax when applied from 2021.

Kingspan Water & Energy Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2020

18. Employee benefits

Defined contribution retirement benefit scheme

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £1,014,228 (2019: £1,080,493).

There was a retirement benefit accrual of £195,764 (2019: £276,392) at the year end.

19. Share-based payments

The Company has claimed exemption from making full disclosures in relation to Share Based Payments under FRS101, and in line with those exemptions, the below shows the options exercised during the year, along with comparatives, the weighted average exercise price (WAEP) and the number of options outstanding at 31 December 2020 and 31 December 2019.

	No.	2020 WAEP EUR	No.	2019 WAEP EUR
PSP Exercised during the year	25,928	0.13	21,156	0.13
	-----		-----	
Total share options exercised during the year	<u>25,928</u>		<u>21,156</u>	
Outstanding at the end of the year	<u>87,133</u>	<u>0.13</u>	<u>85,393</u>	<u>0.13</u>

20. Government grants

The amounts recognised in the financial statements for government grants are as follows:

	2020 £	2019 £
Recognised in creditors:		
Deferred government grants due within one year	-	-
	-----	-----
Recognised in other operating income:		
Government grant income	-	6,385
	-----	-----

The above grants relate to capital asset purchases.

21. Called up share capital

Authorised share capital

	2020 £	2019 £
150,000 Ordinary shares of £1 each	<u>150,000</u>	<u>150,000</u>

Issued, called up and fully paid

	2020 No.	£	2019 No.	£
130,002 Ordinary shares of £1 each	<u>130,002</u>	<u>130,002</u>	<u>130,002</u>	<u>130,002</u>

Kingspan Water & Energy Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2020

22. Contingencies

There is a contingent liability on the Company in respect to guarantees issued by banks to revenue authorities for customs clearance. These guarantees amounted to £100,000 at 31 December 2020 (2019: £100,000).

23. Controlling parties and parent undertakings

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

The immediate parent company is T.T. Plastics Limited, a company incorporated in the United Kingdom.

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

24. Comparative information

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

25. Prior Year Adjustment

As part of the year-end review it was found that deferred tax was not calculated on share options in previous years. This error has been corrected by restating the affected financial statement line items for the prior period. The following table summarises the impacts on the Company's financial statements.

The comparative amounts of Corporation tax receivable and Amounts owed to group undertakings included within Trade and other payables have been restated to reclassify £502,373 in respect of corporation tax payable to Amounts owed to group undertakings to correct for the Kingspan Group tax payment scheme in place.

	As previously reported	Adjustments	As restated
Profit and Loss Account			
Profit before tax	4,527,565	-	4,527,565
Tax	(549,960)	589,226	39,266
Profit for year	3,977,605	589,226	4,566,831
Statement of Financial Position			
Total Assets	125,432,055	-	125,432,055
All Other liabilities	(66,991,931)	-	(66,991,931)
Deferred Tax	(356,312)	589,226	232,914
Net Assets	58,083,812	589,226	58,673,038
Retained Earnings	17,611,671	589,226	18,200,897
Other Equity	40,472,141	-	40,472,141
Total Equity	58,083,812	589,226	58,673,038

Kingspan Water & Energy Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2020

26. Subsequent events

On 4 July 2021, the trade, assets and liabilities of fellow group company Tanks Direct Limited transferred into the company at their carrying value.

On 31 October 2021, the trade, assets and liabilities of fellow group company Fuel Tank Shop Limited are expected to transfer into the company at their carrying value.

There have been no other significant events subsequent to 31 December 2020 which would require disclosure in this report.

27. Approval of financial statements

The financial statements were approved by the Directors on 9 September 2021.