

Registration number: NI017631

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Kingspan Water & Energy Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2022

Kingspan Water & Energy Limited

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Kingspan Water & Energy Limited

Company Information

Directors	Mel Courtney Barry Keeley Liam McDaniel Michael Kennedy
Company secretary	Kingspan Group Limited
Registered office	180 Gilford Road Portadown Co. Armagh BT63 5LE Northern Ireland
Solicitors	Eversheds Sutherland 1 Callaghan Square Cardiff CF10 5BT United Kingdom
Bankers	Danske Bank
Auditor	Ernst & Young LLP 16 Bedford Street Belfast Northern Ireland BT2 7DT

Kingspan Water & Energy Limited

Strategic Report for the Year Ended 31 December 2022

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

Fair review of the business

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 performed well in 2022 despite the continuously challenging environment with revenue 7% ahead of 2021. Margins were lower due to delays in recovering cost price increases however the Company expects to see an improved return on sales in 2023 as it continues to remain disciplined on costs.

The outlook for 2023 generally is difficult to predict because the macroeconomic environment remains volatile owing to a combination of increasing interest rates, the war in Ukraine and the consequential steep energy and consumer inflation.

Results

The Company's profit for the year, after taxation, amounted to £5,784,422 (2021: profit of £9,873,303).

The balance of the profit for the year amounting to £5,784,422 will be added to reserves and carried forward to the following year.

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

Financial KPIs	Unit	2022	2021
Gross profit margin	%	33.12	35.57
Operating Profit Margin	%	4.90	9.10

Gross profit margin was lower due to expected delays in recovering cost price increases which was balanced by good overhead control which is reflected in the positive operating profit margin.

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

	2022	2021
Employee numbers	762	792
Days lost due to accidents	128	74
Total waste in tonnes	1,792	3,950
Percentage of waste recycled/reused	99	81

Future developments

2023 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 as it continues its cost recovery efforts.

Kingspan Water & Energy Limited

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

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

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

(I) Stakeholders

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

Owners

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

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

Customers

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

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

Suppliers

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

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

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

Kingspan Water & Energy Limited

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

Communities

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

Employees

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

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

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

(II) Principal Decisions

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

1. Approved the Annual Budget and Three year Strategic Plan

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

2. Approved the Dividend Distribution

- The directors decided not to pay a dividend in the year. (2021: £Nil)

Principal risks and uncertainties

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

Volatility in the macro environment

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

Kingspan Water & Energy Limited

Strategic Report for the Year Ended 31 December 2022 (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 the Company's business is the potential for functional failure of our product which could lead to health, safety and security issues for both our people and our customers. The Kingspan brand is well established and is a key element of the Company's overall marketing and positioning strategy. In the event of a product failure, the Kingspan brand and/or reputation could be damaged and if so, this could lead to a loss of market share.

Laws and regulations

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

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.

Kingspan Water & Energy Limited

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

Principal risks and uncertainties (continued)

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.

Financial Risk Management

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

Liquidity

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

Credit risk

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

Approved by the Board on 30 May 2023 and signed on its behalf by:

DocuSigned by:

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Barry Keeley
Director

Kingspan Water & Energy Limited

Directors' Report for the Year Ended 31 December 2022

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

Directors of the Company

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

Mel Courtney (appointed 1 January 2022)

Barry Keeley

Mr Pat Freeman (ceased 31 March 2023)

The following directors were appointed after the year end:

Liam McDaniel (appointed 31 March 2023)

Michael Kennedy (appointed 31 March 2023)

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

Directors' indemnity

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

Principal activity

The principal activity of the Company during the year was Kingspan Water & Energy Limited offer premium and sustainable ways of sourcing, storing and protecting energy and water.

Dividends

The directors have not recommended a dividend payment for the year ended 31 December 2022 (2021: £Nil).

Political donations

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

Employment of disabled persons

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

Employee involvement

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

Kingspan Water & Energy Limited

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

Future developments

2023 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 as it continues its cost recovery efforts.

Research and development

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

Branches outside the United Kingdom

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

Going concern

The directors have reviewed the Company's strategic plan for each year from 2023 to 2026 which shows the Company is expected to continue to be profitable. The Company's cash balances are managed through a cash pooling arrangement within the Kingspan Group. The Kingspan Group has confirmed that it will continue to provide financial support to the Company, including through this cash pooling arrangement, for the period to 30 June 2024. The directors are satisfied that the Kingspan Group has sufficient cash and liquidity to provide this support as necessary and is expected to continue to be cash generative and meet its obligations as they fall due for the period to 30 June 2024. Consequently, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Subsequent events

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

Environmental report

Emissions and energy consumption

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

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

Future targets include:

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

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

Kingspan Water & Energy Limited

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

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

Name and description	Metric and / or KPI	2022	2021
UK Energy use	kWh	28,072,360	31,998,282
Associated Greenhouse gas emissions	Tonnes CO2 equivalent	4,245	5,081
GHG Intensity ratio	tCo2e/£m revenue	34	44

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

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.

Disclosure of information to the auditor

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

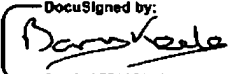
Reappointment of auditor

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

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.

Approved by the Board on 30 May 2023 and signed on its behalf by:

DocuSigned by:

51AC42F289584C7.....
 Barry Keeley
 Director

Kingspan Water & Energy Limited

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

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

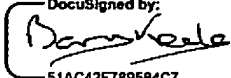
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 101 has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for such internal controls as they determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Approved by the Board on 30 May 2023 and signed on its behalf by:

DocuSigned by:

.....51AC42F789594C7.....
Barry Keeley
Director

Kingspan Water & Energy Limited

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

Opinion

We have audited the financial statements of Kingspan Water & Energy Limited for the year ended 31 December 2022 which comprise the Profit and Loss Account, the Balance Sheet, the statement of changes in equity and the related notes 1 to 27, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; 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 Standards, 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 to 30 June 2024.

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, 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.

Kingspan Water & Energy Limited

Independent Auditor's Report to the Members of Kingspan Water & Energy Limited (continued)

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our 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 the Directors' Report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 10, 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.

Kingspan Water & Energy Limited

Independent Auditor's Report to the Members of Kingspan Water & Energy Limited (continued)

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.

- 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 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 warranty provisions our testing included reading customer contracts, challenging and independently corroborating management's assumptions, and considering past warranty 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.

Kingspan Water & Energy Limited

Independent Auditor's Report to the Members of Kingspan Water & Energy Limited (continued)

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
Michael Christie
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Michael Christie
(Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor

16 Bedford Street
Belfast
Northern Ireland
BT2 7DT

30 May 2023

Kingspan Water & Energy Limited

Profit and Loss Account for the Year Ended 31 December 2022

	Note	2022 £	2021 £
Revenue	4	124,539,416	116,178,010
Cost of sales		<u>(83,294,360)</u>	<u>(74,851,634)</u>
Gross profit		41,245,056	41,326,376
Distribution costs		(8,402,806)	(7,951,326)
Administrative expenses		(27,395,119)	(23,384,167)
Other operating income	5	<u>623,292</u>	<u>582,636</u>
Operating profit	6	6,070,423	10,573,519
Interest receivable and similar income	7	188,052	301
Interest payable and similar expenses	8	<u>(55,806)</u>	<u>(34,156)</u>
Profit before tax		6,202,669	10,539,664
Income tax expense	12	<u>(418,247)</u>	<u>(666,361)</u>
Profit for the year		<u><u>5,784,422</u></u>	<u><u>9,873,303</u></u>

The above results were derived from continuing operations.

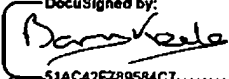
The Company has no other recognised items of income and expenses other than the results for the financial year as set out above. As a result, the Statement of Other Comprehensive Income is not presented.

Kingspan Water & Energy Limited

(Registration number: NI017631)
Balance Sheet as at 31 December 2022

	Note	2022 £	2021 £
Fixed assets			
Property, plant and equipment	13	25,138,491	25,271,164
Right of use assets	14	1,920,468	1,869,603
Deferred tax assets	12	-	633,703
		27,058,959	27,774,470
Current assets			
Inventories	15	14,903,985	13,109,038
Trade and other receivables	16	105,884,602	101,976,964
Cash and cash equivalents	17	396,169	1,653,762
		121,184,756	116,739,764
Creditors: amounts falling due within one year			
Lease liabilities	14	819,956	769,393
Trade and other payables	21	61,953,437	64,557,396
		62,773,393	65,326,789
Net current assets		58,411,363	51,412,975
Total assets less current liabilities		85,470,322	79,187,445
Creditors: amounts falling due after more than one year			
Lease liabilities	14	935,661	948,985
Provisions			
Provisions	20	2,950,229	2,852,677
Deferred taxation	12	366,830	-
		3,317,059	2,852,677
Net assets		81,217,602	75,385,783
Equity			
Share capital	18	130,002	130,002
Share premium	19	35,308,371	35,308,371
Other reserves	19	7,301,746	7,254,349
Profit and loss account	19	38,477,483	32,693,061
Total equity		81,217,602	75,385,783

Approved by the Board on 30 May 2023 and signed on its behalf by:

DocuSigned by:

S1AC42F289584CT.....
 Barry Keeley
 Director

Kingspan Water & Energy Limited

Statement of Changes in Equity for the Year Ended 31 December 2022

	Note	Share capital £	Share premium £	Other reserves £	Profit and loss account £	Total £
At 1 January 2021		130,002	35,308,371	5,696,508	22,819,758	63,954,639
Profit for the year		-	-	-	9,873,303	9,873,303
Total comprehensive income		-	-	-	9,873,303	9,873,303
Transactions with owners						
Share based payment transactions	9	-	-	751,526	-	751,526
Deferred tax relating to share based payment transactions	12	-	-	806,315	-	806,315
Total transactions with owners		-	-	1,557,841	-	1,557,841
At 31 December 2021		<u>130,002</u>	<u>35,308,371</u>	<u>7,254,349</u>	<u>32,693,061</u>	<u>75,385,783</u>

The notes on pages 19 to 38 form an integral part of these financial statements.

Kingspan Water & Energy Limited

Statement of Changes in Equity for the Year Ended 31 December 2022 (continued)

	Note	Share capital £	Share premium £	Other reserves £	Profit and loss account £	Total £
At 1 January 2022		130,002	35,308,371	7,254,349	32,693,061	75,385,783
Profit for the year		-	-	-	5,784,422	5,784,422
Total comprehensive income		-	-	-	5,784,422	5,784,422
Transactions with owners						
Share based payment transactions	9	-	-	844,750	-	844,750
Share based payments settlement		-	-	(193,690)	-	(193,690)
Deferred tax relating to share based payment transactions	12	-	-	(603,663)	-	(603,663)
Total transactions with owners		-	-	47,397	-	47,397
At 31 December 2022		<u>130,002</u>	<u>35,308,371</u>	<u>7,301,746</u>	<u>38,477,483</u>	<u>81,217,602</u>

The notes on pages 19 to 38 form an integral part of these financial statements.
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Kingspan Water & Energy Limited

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

1 General information

The Company is a private company limited by share capital, incorporated in Northern Ireland and domiciled in United Kingdom.

The address of its registered office is:

180 Gilford Road

Portadown

Co. Armagh

BT63 5LE

Northern Ireland

Its registered number is NI017631. These financial statements have been prepared in accordance with applicable law and United Kingdom Accounting Standards including FRS 101 "*Reduced Disclosure Framework*" (United Kingdom Generally Accepted Accounting Practice). The principal activity of the Company is Kingspan Water & Energy Limited offer premium and sustainable ways of sourcing, storing and protecting energy and water.

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

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

Basis of preparation

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

Functional and presentational currency

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

Kingspan Water & Energy Limited

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

2 Accounting policies (continued)

Summary of disclosure exemptions

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

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

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

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

Going concern

The directors have reviewed the Company's strategic plan for each year from 2023 to 2026 which shows the Company is expected to continue to be profitable. The Company's cash balances are managed through a cash pooling arrangement within the Kingspan Group. The Kingspan Group has confirmed that it will continue to provide financial support to the Company, including through this cash pooling arrangement, for the period to 30 June 2024. The directors are satisfied that the Kingspan Group has sufficient cash and liquidity to provide this support as necessary and is expected to continue to be cash generative and meet its obligations as they fall due for the period to 30 June 2024. Consequently, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Changes in accounting policy

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

Kingspan Water & Energy Limited

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

2 Accounting policies (continued)

Revenue recognition

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

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

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

Supply only contracts

The point of recognition arises when the Company satisfies a performance obligation by transferring control of a promised good or service to the customer, which could occur over time or at a point in time. Revenue is recognised at the time of delivery at the delivery address (where Kingspan is to deliver the goods to the delivery address) or at Kingspan's works (where the 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 requires the Company to install or commission a product and the product can be separated or sold separately from the installation service and the contract specifically separates the performance obligations, then the product only supply element is recognised in line with the criteria set out in the supply only policy. The installation element is recognised over time in line with the milestones set out in the contract. If there is significant integration provided for in the contract then a single purchase order is identified and the revenue is recognised over time.

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 Profit and Loss Statement in line with the underlying asset.

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

Interest receivable and similar income

Interest receivable and similar income comprises interest income on funds invested. Interest income is recognised as it accrues using the effective interest rate method.

Interest payable and similar charges

Interest payable and similar charges comprises interest payable on borrowings calculated using the effective interest rate method and lease interest.

Kingspan Water & Energy Limited

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

2 Accounting policies (continued)

Foreign currencies

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

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

Income Tax

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 or substantively enacted for the financial year taking into account any adjustments from prior years. Liabilities for uncertain tax treatments are recognised in accordance with IFRIC 23 and are measured using either the most likely amount method or the expected value method -whichever better predicts the resolution of the uncertainty.

Deferred tax

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

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

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

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

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

Kingspan Water & Energy Limited

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

2 Accounting policies (continued)

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.

Depreciation

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

Asset class	Depreciation method and rate
Freehold buildings	2% - 2.5% straight line
Plant and Machinery	10% - 20% straight line & 12.5% reducing balance
Motor Vehicles	20% straight line

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

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

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

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.

Kingspan Water & Energy Limited

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

2 Accounting policies (continued)

Financial assets

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

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

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

Inventory

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

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

Financial liabilities

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

Kingspan Water & Energy Limited

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

2 Accounting policies (continued)

Provisions

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

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

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

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

Leases

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

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

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

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

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

Dividends

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

Kingspan Water & Energy Limited

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

2 Accounting policies (continued)

Defined contribution pension obligation

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

Share based payment transactions

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

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

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

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

3 Accounting estimates and judgements

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

Guarantees and warranties

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

Recoverability of trade receivables

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

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

Kingspan Water & Energy Limited

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

3 Accounting estimates and judgements (continued)

Valuation of inventory

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

Leases

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

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

Income taxes

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

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

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

Kingspan Water & Energy Limited

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

4 Revenue

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

	2022	2021
	£	£
Sale of goods	<u>124,539,416</u>	<u>116,178,010</u>
Disaggregation of revenue:	£	£
Point in time	124,202,272	115,377,344
Over time	<u>337,144</u>	<u>800,666</u>
	<u>124,539,416</u>	<u>116,178,010</u>

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

5 Other operating income

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

	2022	2021
	£	£
Government grants	603,707	559,140
Sub lease rental income	<u>19,585</u>	<u>23,496</u>
	<u>623,292</u>	<u>582,636</u>

6 Operating profit

Arrived at after charging/(crediting)

	2022	2021
	£	£
Depreciation expense	2,673,311	2,393,833
Impairment of trade receivables	(313,892)	(611,969)
Research and development cost	404,492	466,764
Foreign exchange losses/(gains)	41,552	(63,644)
Loss/(gain) on disposal of property, plant and equipment	<u>18,564</u>	<u>(1,169)</u>

7 Interest receivable and similar income

	2022	2021
	£	£
Interest income on bank deposits	<u>188,052</u>	<u>301</u>

Kingspan Water & Energy Limited

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

8 Interest payable and similar expenses

	2022	2021
	£	£
Interest on bank overdrafts and borrowings	20,529	868
Interest on lease liabilities	<u>35,277</u>	<u>33,288</u>
	<u>55,806</u>	<u>34,156</u>

9 Staff costs

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

	2022	2021
	£	£
Wages and salaries	29,389,966	28,575,436
Social security costs	2,771,043	2,512,223
Pension costs, defined contribution scheme	<u>1,283,885</u>	<u>1,191,611</u>
	<u>33,444,894</u>	<u>32,279,270</u>

The costs incurred for equity settled share based payments in the year were £844,750 (2021: £751,526). No wages and salaries or related costs were capitalised in the current or prior year.

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

	2022	2021
	No.	No.
Production	490	512
Administration and support	151	195
Sales, marketing and distribution	<u>121</u>	<u>85</u>
	<u>762</u>	<u>792</u>

10 Directors' remuneration

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

	2022	2021
	£	£
Remuneration	628,912	516,398
Contributions paid to money purchase schemes	<u>60,000</u>	<u>26,250</u>
	<u>688,912</u>	<u>542,648</u>

Kingspan Water & Energy Limited

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

10 Directors' remuneration (continued)

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

	2022	2021
	£	£
Remuneration	<u>255,927</u>	<u>291,529</u>

In relation to the highest paid director, aggregate gains of £227,008 were realised with respect to share options. (2021): £Nil)

11 Auditor's remuneration

	2022	2021
	£	£
Audit of the financial statements	<u>42,893</u>	<u>12,409</u>

12 Income tax

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

	2022	2021
	£	£
Current taxation		
Adjustment in respect of prior periods	-	387,491
Deferred taxation		
Origination and reversal of timing differences	191,943	622,562
Adjustments in respect of prior periods	226,304	(312,149)
Arising from effect of rate change	-	(31,543)
Total deferred taxation	<u>418,247</u>	<u>278,870</u>
Tax expense in the profit and loss account	<u>418,247</u>	<u>666,361</u>

Kingspan Water & Energy Limited

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

12 Income tax (continued)

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

The differences are reconciled below:

	2022 £	2021 £
Profit before tax	<u>6,202,669</u>	<u>10,539,664</u>
Corporation tax at standard rate	1,178,507	2,002,536
Increase in current tax from adjustment for prior periods	191,942	75,342
Decrease from effect of revenues exempt from taxation	(84,960)	(119,051)
Increase from effect of expenses not deductible in determining taxable profit	448,041	316,062
Decrease arising from group relief tax reconciliation	(1,501,692)	(1,759,601)
Deferred tax credit relating to changes in tax rates or laws	-	(31,543)
Other tax effects for reconciliation between accounting profit and tax expense	<u>186,409</u>	<u>182,616</u>
Total tax charge	<u><u>418,247</u></u>	<u><u>666,361</u></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. This change was enacted in the prior period such that the opening and closing deferred tax balances have been calculated using the 25% rate where appropriate.

Deferred tax

Deferred tax assets and liabilities

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

	2022 £	2021 £
Pension benefits	-	54,304
Share options	741,277	1,167,807
Accelerated Capital Allowances	(1,108,107)	(761,004)
Temporary differences	<u>-</u>	<u>172,595</u>
	<u><u>(366,830)</u></u>	<u><u>633,702</u></u>

Deferred tax movement during the year:

At 1 January 2022	Recognised in income	Recognised in equity	At 31 December 2022	At 31 December 2021
£	£	£	£	£
<u>633,703</u>	<u>(396,870)</u>	<u>(603,663)</u>	<u>(366,830)</u>	<u>633,702</u>

Kingspan Water & Energy Limited

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

14 Leases

Right of use assets	Plant and machinery £	Land and buildings £	Motor vehicles £	Total £
At 1 January 2022	-	290,745	1,578,858	1,869,603
Additions	6,746	-	936,676	943,422
Remeasurement	-	84,473	84,852	169,325
Depreciation charge for the year	<u>(6,159)</u>	<u>(205,940)</u>	<u>(849,783)</u>	<u>(1,061,882)</u>
At 31 December 2022	<u>587</u>	<u>169,278</u>	<u>1,750,603</u>	<u>1,920,468</u>
At 1 January 2021	2,382	435,629	761,395	1,199,406
Additions	-	48,462	1,522,213	1,570,675
Remeasurement	-	-	(1,330)	(1,330)
Depreciation charge for the year	<u>(2,382)</u>	<u>(193,346)</u>	<u>(703,420)</u>	<u>(899,148)</u>
At 31 December 2021	<u>-</u>	<u>290,745</u>	<u>1,578,858</u>	<u>1,869,603</u>

Lease liability

	2022 £	2021 £
At 1 January	1,718,378	1,076,961
Additions	935,622	1,506,054
Terminations	(27,392)	-
Payments	(1,078,152)	(897,925)
Interest	35,277	33,288
Remeasurement	<u>171,884</u>	<u>-</u>
At 31 December	<u>1,755,617</u>	<u>1,718,378</u>

Kingspan Water & Energy Limited

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

14 Leases (continued)

Split as follows:

	2022	2021
	£	£
Current liability	819,956	769,393
Non-current liability	935,661	948,985
	<u>1,755,617</u>	<u>1,718,378</u>

Lease liabilities maturity analysis

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

	2022	2021
	£	£
Less than 1 year	844,945	792,481
1 - 5 years	951,582	965,013
Total lease liabilities (undiscounted)	<u>1,796,527</u>	<u>1,757,494</u>

15 Inventories

	2022	2021
	£	£
Raw materials and consumables	9,814,048	9,499,061
Work in progress	1,412,761	976,262
Finished goods and goods for resale	3,677,176	2,633,715
	<u>14,903,985</u>	<u>13,109,038</u>

The above carrying value is shown net of an inventory provision of £1,947,932 (2021: £1,639,035).

A total of £61,554,486 (2021: £56,339,321) of inventories was included in the profit and loss as an expense.

Kingspan Water & Energy Limited

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

16 Trade and other receivables

	2022	2021
	£	£
Trade receivables	19,471,159	21,089,429
Expected credit loss allowance	<u>(1,243,116)</u>	<u>(1,570,767)</u>
Net trade receivables	18,228,043	19,518,662
Amounts owed by group undertakings	87,055,180	81,906,211
Prepayments	530,673	489,969
Other receivables	<u>70,706</u>	<u>62,122</u>
	<u>105,884,602</u>	<u>101,976,964</u>

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

17 Cash and cash equivalents

	2022	2021
	£	£
Cash at bank	<u>396,169</u>	<u>1,653,762</u>

18 Share capital

Authorised share capital

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

Allotted, called up and fully paid shares

	2022		2021	
	No.	£	No.	£
Ordinary shares of £1 each	<u>130,002</u>	<u>130,002</u>	<u>130,002</u>	<u>130,002</u>

Kingspan Water & Energy Limited

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

19 Reserves

Share premium account

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

Other reserves

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

Profit and loss account

This reserve records retained earnings and accumulated losses.

The changes to each component of equity resulting from items of other comprehensive income for the current year were as follows:

20 Provisions

	Warranties £	Total £
At 1 January 2022	2,852,677	2,852,677
Additional provisions	1,446,820	1,446,820
Provisions used	(1,136,174)	(1,136,174)
Unused provision reversed	<u>(213,094)</u>	<u>(213,094)</u>
At 31 December 2022	<u>2,950,229</u>	<u>2,950,229</u>
	2022 £	2021 £
Current provisions	2,047,349	2,074,705
Non-current provisions	<u>902,880</u>	<u>777,972</u>
Total provision	<u>2,950,229</u>	<u>2,852,677</u>

Kingspan Water & Energy Limited

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

20 Provisions (continued)

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.

21 Trade and other payables

	2022 £	2021 £
Trade payables	13,594,011	16,503,560
Accrued expenses	11,674,146	11,517,209
Amounts owed to group undertakings	30,353,591	30,370,059
Social security and other taxes	700,969	1,247,726
VAT payable	1,212,398	713,003
Other payables	597,014	585,624
Deferred income and customer prepayments	3,821,308	3,620,215
	<u>61,953,437</u>	<u>64,557,396</u>

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

22 Pension and other schemes

Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £1,283,885 (2021: £1,191,611).

Contributions totalling £201,368 (2021: £217,217) were payable to the scheme at the end of the year and are included in creditors.

Kingspan Water & Energy Limited

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

23 Share-based payments

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

	2022		2021	
	No.	WAEP* £	No.	WAEP* £
Exercised PSP during the year	<u>10,095</u>	<u>0.13</u>	<u>18,795</u>	<u>0.13</u>
Outstanding at the end of the year	<u>83,545</u>	<u>0.13</u>	<u>81,349</u>	<u>0.13</u>

**Weighted Average Exercise Price*

24 Contingencies

There were contingent liabilities on the Company in respect to guarantees issued by banks. These guarantees amounted to €100,000 at 31 December 2022 (2021: €Nil).

25 Parent undertakings and controlling parties

The Company's immediate parent is T.T. Plastics Limited, a company incorporated in the United Kingdom.

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

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

26 Subsequent events

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

27 Approval of financial statements

These financial statements were authorised for issue by the Board on 30 May 2023.