

Kingspan Limited
Financial Statements
31st December 2015



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Kingspan Limited

Financial Statements

Year ended 31st December 2015

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Kingspan Limited

Officers and Professional Advisers

The board of directors

Thomas McGuinness
Gilbert McCarthy
Peter Bullough
Jim Carolan
Philip Smith

Company secretary

Kingspan Group Limited

Registered office

Bagillt Road
Greenfield Business Park No.2
Greenfield
Holywell
CLWYD
United Kingdom
CH8 7GJ

Auditor

KPMG
Chartered Accountant & Statutory Auditor
1 Stokes Place
St. Stephen's Green
Dublin 2
Ireland

Bankers

RBS Bank
10th Floor
The Plaza
100 Old Hall Street
Liverpool
United Kingdom
L3 9QT

Solicitors

Macfarlanes
10 Norwich Street
London
England
BC4A 1BD

Kingspan Limited

Strategic Report

Year ended 31st December 2015

For some time now, we have been pursuing a three pillar strategy:

- Conversion from traditional insulation and building techniques to high performance solutions.
- Innovating within our space to consistently maintain a competitive edge.
- Broadening our geographies, with primary focus on mainland Europe, the Americas, Gulf & Middle East and Australasia.

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

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

Products are used extensively in commercial, retail, industrial, distribution, leisure, health and education sectors.

Sales volumes of Insulated Panels in the UK have been at their strongest for a number of years and we have experienced good growth across most segments of the market in 2015. Insulated Panel penetration in the UK is at the most advanced level of any market, and our range continues to evolve across the entire spectrum from basic roofing to the most architecturally discerning insulated office façades.

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

	2015	2014
Return on capital employed	28.89%	22.47%
Return on equity	30.89%	23.88%
Gross Margin	31.56%	26.40%
Trading Margin	9.48%	8.68%

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

	2015	2014
Employee numbers	801	797
Days lost due to accidents	27	141
Accident rate per 1,000 hours worked	0.03	0.03
Total waste in tonnes	3,392	6,490
Percentage of waste recycled/reused	100%	100%

OUTLOOK

Our proposition has been developing progressively, towards a model whereby we deliver the more complete building envelope solution including, for example, daylighting and energy efficient lighting. This wider offering will be rolled-out across other markets over time and is both central to our strategy and a natural evolution of our energy efficient proposition. Customers' appetite for low energy, highly efficient buildings is increasing and we are intent on being the key force globally in enabling the delivery of this across the broadest range of building types.

Kingspan Limited

Strategic Report *(continued)*

Year ended 31st December 2015

IMPORTANT EVENTS SINCE THE YEAR END

There have been no material events subsequent to 31st December 2015 which would require disclosure in this report.

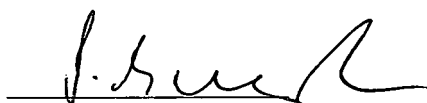
PRINCIPAL RISKS AND UNCERTAINTIES

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:

- Market conditions in the construction sector and volatility in the macro-economic environment;
- Research and development and quality control;
- Acquisition and development;
- Human resources;
- Legal and regulatory risk.

As part of the annual risk assessment, the Board reviewed the company's internal assessment of the risks to the business under a wide range of headings that included: business and acquisition strategy; financial including transactional and translation foreign exchange risks; compliance; human resources; operational; inventory; sales and purchasing; product development; R&D and quality control; fixed assets; IT; and others including macro-economic issues. The Board identified and reported on the principal risks facing the business, and whilst recognising that these risks cannot be wholly eliminated, the Board is of the view that the risks are being appropriately addressed by the company's internal financial and management controls.

This report was approved by the board of directors on 24th June 2016 and signed on behalf of the board by:



Peter Bullough
Director

Kingspan Limited

Directors' Report

Year ended 31st December 2015

The directors present their report and the financial statements of the company for the year ended 31st December 2015.

Directors

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

Thomas McGuinness
Gilbert McCarthy
Peter Bullough
Jim Carolan
Philip Smith

The interests of the group directors are disclosed in the financial statements of the parent company.

The company is a wholly owned subsidiary of the ultimate parent company Kingspan Group Plc, being a company incorporated in the Republic of Ireland. The company, or the Group of which the company forms part, maintains Directors and Officers Liability Insurance and (where applicable) Trustee Liability Insurance as at the date hereof and throughout the financial period ended 31st December 2015, in respect of the above named directors.

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

Dividends

Particulars of recommended dividends are detailed in note 10 to the financial statements.

Future developments

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

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.

Financial instruments

The Company does not hold any financial instruments.

Kingspan Limited

Directors' Report *(continued)*

Year ended 31st December 2015

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 UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including 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 UK Accounting Standards have 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.

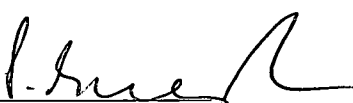
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have 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.

This report was approved by the board of directors on 24th June 2016 and signed on behalf of the board by:


Peter Bullough
Director



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

Kingspan Limited

Independent Auditor's Report to the Members of Kingspan Limited

Year ended 31st December 2015

We have audited the financial statements of Kingspan Limited for the year ended 31st December 2015 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) including FRS 101 Reduced Disclosure Framework.

Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

2 Our conclusions on other matters on which we are required to report by the Companies Act 2006 are set out below

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

3 We have nothing to report in respect of matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in respect of the above responsibilities.



Kingspan Limited

Independent Auditor's Report to the Members of Kingspan Limited *(continued)*

Year ended 31st December 2015

Basis of our report, responsibilities and restrictions on use

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2006. Our responsibility is to audit and express an opinion on the financial statements in accordance with UK law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

An audit undertaken in accordance with ISAs (UK & Ireland) involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Whilst an audit conducted in accordance with ISAs (UK & Ireland) is designed to provide reasonable assurance of identifying material misstatements or omissions it is not guaranteed to do so. Rather the auditor plans the audit to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements does not exceed materiality for the financial statements as a whole. This testing requires us to conduct significant audit work on a broad range of assets, liabilities, income and expense as well as devoting significant time of the most experienced members of the audit team, in particular the engagement partner responsible for the audit, to subjective areas of the accounting and reporting.

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

Roger Gillespie (Senior Statutory Auditor)

For and on behalf of
KPMG
Chartered accountant & statutory auditor
1 Stokes Place
St. Stephen's Green
Dublin 2
Ireland

24th June 2016

Kingspan Limited

Statement of Comprehensive Income

Year ended 31st December 2015

	Note	2015 £	2014 £
Revenue	3	296,724,975	295,213,634
Cost of sales		(203,074,293)	(217,288,051)
Gross profit		93,650,682	77,925,583
Distribution costs		(19,976,686)	(18,600,956)
Administrative expenses		(45,815,610)	(33,916,814)
Other operating income		262,507	234,671
Operating profit	4	28,120,893	25,642,484
Interest receivable and similar income	6	145,000	252,000
Interest payable and similar charges	7	(225,877)	(60,632)
Profit on ordinary activities before taxation		28,040,016	25,833,852
Income tax expense	8	(4,809,328)	(6,184,158)
Profit for the financial year		23,230,688	19,649,694
Items that may be reclassified subsequently to profit and loss			
Foreign currency retranslation		1,062	103,591
Items that will not be reclassified subsequently to profit and loss			
Actuarial gain/loss on defined benefit pension (net of tax)		451,375	–
Re-measurement of defined benefit pension (net of tax)		–	(2,240,624)
Other comprehensive income for the year		452,437	(2,137,033)
Total comprehensive income for the year		23,683,125	17,512,661

All the activities of the company are from continuing operations.

The notes on pages 11 to 25 form part of these financial statements.

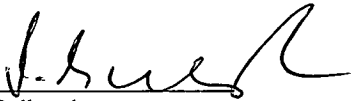
Kingspan Limited

Statement of Financial Position

31st December 2015

	Note	2015 £	2014 £
Fixed assets			
Intangible assets	10	–	302,462
Property, plant and equipment	11	44,152,449	44,626,048
		<u>44,152,449</u>	<u>44,928,510</u>
Current assets			
Inventory	13	7,191,433	7,318,034
Trade and other receivables	14	89,536,780	136,319,415
Cash at bank and in hand	15	4,347,924	4,786,383
		<u>101,076,137</u>	<u>148,423,832</u>
Creditors: amounts falling due within one year	16	47,823,563	79,605,752
Net current assets		<u>53,252,574</u>	<u>68,818,080</u>
Total assets less current liabilities		<u>97,405,023</u>	<u>113,746,590</u>
Provisions			
Deferred taxation	17	2,181,000	2,234,000
Other provisions	18	9,750,402	6,835,636
		<u>11,931,402</u>	<u>9,069,636</u>
Net assets		<u>85,473,621</u>	<u>104,676,954</u>
Defined benefit pension plan liability	19	(5,356,289)	(3,444,000)
Net assets including defined benefit pension plan asset		<u>90,829,910</u>	<u>108,120,954</u>
Capital and reserves			
Called up share capital	21	2,070,000	2,070,000
Share premium account	22	44,280,000	44,280,000
Other reserves	22	7,492,353	6,466,522
Profit and loss account	22	36,987,557	55,304,432
Total equity		<u>90,829,910</u>	<u>108,120,954</u>

These financial statements were approved by the board of directors and authorised for issue on 24th June 2016, and are signed on behalf of the board by:


 Peter Bullough
 Director

Company registration number: 01037468

The notes on pages 11 to 25 form part of these financial statements.

Kingspan Limited

Statement of Changes in Equity

Year ended 31st December 2015

	Called up share capital £	Share premium account £	Other reserves £	Profit and loss account £	Total £
At 1st January 2014 (as previously reported)	2,070,000	44,280,000	5,297,047	56,964,517	108,611,564
Transition adjustments	–	–	–	(881,546)	(881,546)
At 1st January 2014 (restated)	<u>2,070,000</u>	<u>44,280,000</u>	<u>5,297,047</u>	<u>56,082,971</u>	<u>107,730,018</u>
Profit for the year				19,649,694	19,649,694
Other comprehensive income for the year:					
Re-measurement of defined benefit plan (net of tax) 19	–	–	–	(2,240,624)	(2,240,624)
Foreign currency retranslation	–	–	–	103,591	103,591
Total comprehensive income for the year	–	–	–	17,512,661	17,512,661
Dividends paid and payable 9	–	–	–	(18,291,200)	(18,291,200)
Equity-settled share-based payments	–	–	1,169,475	–	1,169,475
Total investments by and distributions to owners	–	–	1,169,475	(18,291,200)	(17,121,725)
At 31st December 2014	<u>2,070,000</u>	<u>44,280,000</u>	<u>6,466,522</u>	<u>55,304,432</u>	<u>108,120,954</u>
Profit for the year				23,230,688	23,230,688
Other comprehensive income for the year:					
Actuarial gain/loss on defined benefit plan (net of tax) 19	–	–	–	451,375	451,375
Foreign currency retranslation	–	–	–	1,062	1,062
Total comprehensive income for the year	–	–	–	23,683,125	23,683,125
Dividends paid and payable 9	–	–	–	(42,000,000)	(42,000,000)
Equity-settled share-based payments	–	–	1,025,831	–	1,025,831
Total investments by and distributions to owners	–	–	1,025,831	(42,000,000)	(40,974,169)
At 31st December 2015	<u>2,070,000</u>	<u>44,280,000</u>	<u>7,492,353</u>	<u>36,987,557</u>	<u>90,829,910</u>

The notes on pages 11 to 25 form part of these financial statements.

Kingspan Limited

Notes to the Financial Statements

Year ended 31st December 2015

1. Statement of compliance

Kingspan Limited is a company incorporated and domiciled in the United Kingdom. These financial statements have been prepared in accordance with FRS 101 *Reduced Disclosure Framework*.

2. Accounting policies

Basis of preparation

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

Consolidation

The company was, at the end of the year, a wholly-owned subsidiary of another company incorporated in the EEA and in accordance with Section 400 of the Companies Act 2006, is not required to produce, and has not published, consolidated accounts. The company is included in the consolidated accounts of the ultimate parent undertaking Kingspan Group Plc, a company incorporated in the Republic of Ireland.

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 1.12 of FRS 101:

- No cash flow statement has been presented for the company.
- No comparative period reconciliations for share capital, tangible fixed assets or intangible assets have been prepared.
- The effects of new but not yet effective IFRSs.
- No disclosure has been given for the aggregate remuneration of key management personnel.

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:

- IFRS2 *Share Based Payments* in respect of group settled share based payments.
- IFRS 7 *Financial Instruments: Disclosures*.
- IFRS 13 *Fair Value Measurement*.
- Certain disclosures required by IAS 36 *Impairment of assets* in respect of the impairment of goodwill and indefinite life intangible assets.

Changes in accounting policies

For the list of the new standards that were effective for the company's financial year ending 31 December 2015, refer to the Kingspan Group plc Annual Report.

Revenue

Revenue is measured at the fair value of the consideration received or receivable for goods supplied and services rendered, net of discounts and Value Added Tax.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have transferred to the buyer (usually on despatch of the goods); the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the entity; and the costs incurred or to be incurred in respect of the transactions can be measured reliably.

Kingspan Limited

Notes to the Financial Statements *(continued)*

Year ended 31st December 2015

2. Accounting policies *(continued)*

Income tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

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 consolidated 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 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.

Operating leases

Rentals in respect of operating leases are charged to the profit and loss on a straight line basis over the lease term.

Kingspan Limited

Notes to the Financial Statements *(continued)*

Year ended 31st December 2015

2. Accounting policies *(continued)*

Goodwill

Goodwill is the excess of the fair value of the consideration paid over the fair value of the identifiable assets, liabilities and contingent liabilities acquired in a business combination and relates to the future economic benefits arising from assets which are not capable of being individually identified and separately recognised.

When the excess is negative, a bargain purchase gain ("negative goodwill") is recognised immediately in profit or loss.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies.

Goodwill is tested for impairment at the same level as the goodwill is monitored by management for internal reporting purposes, which is either at the individual or combination cash-generating unit level.

Impairment testing is performed annually and additionally at any time where an indicator of impairment is considered to exist.

Intangible assets

Intangible assets acquired separately are recognised initially at cost. Intangible assets acquired in a business acquisition are recognised initially at fair value as at the date of acquisition. Following initial recognition, the intangible asset is carried at its cost or initial fair value less any accumulated amortisation and accumulated impairment losses. The carrying amounts of intangible assets are reviewed for indicators of impairment at each reporting date and are subject to impairment testing when events or changes of circumstances indicate that the carrying values may not be recoverable.

Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight line basis over the estimated useful lives of intangible assets from the date that they are available for use.

The estimated useful lives are as follows:

Technological know how	5 - 10 years
------------------------	--------------

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

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

Kingspan Limited

Notes to the Financial Statements *(continued)*

Year ended 31st December 2015

2. Accounting policies *(continued)*

Property, plant and equipment *(continued)*

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 Property	- 2.5% - 10% straight line
Plant & Machinery	- 10% - 33% straight line
Motor Vehicles	- 33% straight line

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

Assets under construction are not depreciated until they are ready for use.

Inventory

Inventories are measured at the lower of cost and net realisable value on a first-in-first-out basis. In the case of raw materials, cost means purchase price including transport and handling costs, less trade discounts. For work in progress and finished goods, cost consists of direct materials, direct labour and directly attributable production overheads and other costs incurred in bringing them to their existing location and condition. An impairment allowance is made for obsolete, slow-moving and defective items as appropriate.

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

Provisions

A provision is recognised in the Statement of Financial Position when the 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.

Kingspan Limited

Notes to the Financial Statements *(continued)*

Year ended 31st December 2015

2. Accounting policies *(continued)*

Defined benefit pension scheme

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Remeasurements of the net defined benefit liability or asset, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling, are recognised immediately in other comprehensive income.

The Company determines the net interest expense on the net defined benefit liability or asset by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Defined contribution pension scheme

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

Share-based payments

Employees (including executive directors) of the Company receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The fair value of share entitlements granted is recognised as an employee expense in the Income Statement. The fair value at the grant date is determined using a combination of the Monte Carlo simulation technique and a Black Scholes model.

The Performance Share Plan ("PSP") contains both market and non-market based vesting conditions. Accordingly, the fair value assigned to the related equity instrument on initial application of IFRS 2 Share-based Payment is adjusted to reflect the anticipated likelihood at the grant date of achieving the market based vesting conditions. The cumulative non-market based charge to the Income Statement is only reversed where entitlements do not vest because non-market performance conditions have not been met or where an employee in receipt of share entitlements relinquishes service before the end of the vesting period.

Where the share based payments give rise to the issue of new equity share capital, the proceeds received by the Company are credited to Share Capital (nominal value) and Share Premium when the share entitlements are exercised. Where the share-based payments give rise to the re-issue of shares from treasury shares, the proceeds of issue are credited to shareholders premium.

The Company does not operate any cash-settled share-based payment schemes or share-based payment transactions with cash alternatives as defined in IFRS 2.

Kingspan Limited

Notes to the Financial Statements (continued)

Year ended 31st December 2015

2. Accounting policies (continued)

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:

Estimated impairment of goodwill

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

Pension assumption

As set out in note 19, the Company operates both a defined benefit and defined contribution pension schemes. Measurement of pension costs and pension obligations for defined benefit plans involves the application of a number of assumptions and estimates, including relating to the discount rate, future salary levels, expected employee turnover rate, the return on plan assets, annual pension increases and demographic factors.

Changes in pension assumptions will affect the pension obligations and pension cost for the year. Pension obligations are significantly affected by changes in the discount rate, life expectancy and expected salary pension adjustments.

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.

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.

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.

3. Revenue

Revenue arises from:

	2015 £	2014 £
Sale of goods	<u>296,724,975</u>	<u>295,213,634</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.

Kingspan Limited

Notes to the Financial Statements (continued)

Year ended 31st December 2015

4. Operating profit

Operating profit or loss is stated after charging/(crediting):

	2015 £	2014 £
Depreciation of property, plant and equipment	7,470,828	6,115,919
Total impairment losses recognised in:		
Administrative expenses	302,462	–
(Gains)/loss on disposal of property, plant and equipment	(4,684)	74,051
Equity-settled share-based payments expense	1,025,831	1,169,475
Operating lease rentals	584,859	547,878
Foreign exchange differences	(273,572)	411,469
Defined contribution plans expense	1,193,919	1,029,122
Defined benefit plans expense	(24,000)	(156,000)
Fees payable for the audit of the financial statements	30,000	30,000

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

5. Staff costs

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

	2015 No	2014 No
Production staff	570	580
Distribution staff	158	158
Administrative staff	73	59
	<u>801</u>	<u>797</u>

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

	2015 £	2014 £
Wages and salaries	33,045,436	30,439,630
Social security costs	3,284,744	2,898,784
Other pension costs	1,193,919	1,029,122
	<u>37,524,099</u>	<u>34,367,536</u>

The costs incurred for Equity settled share based payments in the year were GBP1,025,831 (2014: GBP1,169,475). No wages and salaries or related costs were capitalised in the current or prior years.

6. Interest receivable and similar income

	2015 £	2014 £
Net finance income in respect of defined benefit pension plans	<u>145,000</u>	<u>252,000</u>

Kingspan Limited

Notes to the Financial Statements *(continued)*

Year ended 31st December 2015

7. Interest payable and similar charges

	2015 £	2014 £
Interest on banks loans and overdrafts	<u>225,877</u>	<u>60,632</u>

8. Income tax expense

Major components of tax expense

	2015 £	2014 £
Current tax:		
UK current tax expense	5,822,000	6,008,000
Adjustments in respect of prior periods	(836,047)	104,333
Total current tax	<u>4,985,953</u>	<u>6,112,333</u>
Deferred tax:		
Origination and reversal of timing differences	(189,625)	115,825
Adjustments in respect of prior periods	13,000	(44,000)
Income tax expense	<u>4,809,328</u>	<u>6,184,158</u>

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is lower than (2014: higher than) the standard rate of corporation tax in the UK of 20.25% (2014: 21.50%).

	2015 £	2014 £
Profit on ordinary activities before taxation	<u>28,040,016</u>	<u>25,833,852</u>
Profit on ordinary activities by rate of tax	5,678,103	5,554,278
Adjustment to tax charge in respect of prior periods	(823,047)	60,333
Effect of expenses not deductible for tax purposes	384,286	317,550
Other adjustments	(430,014)	251,997
Tax on profit on ordinary activities	<u>4,809,328</u>	<u>6,184,158</u>

Kingspan Limited

Notes to the Financial Statements (continued)

Year ended 31st December 2015

9. Dividends

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

	2015 £	2014 £
Dividends on equity shares at £20.29 per share (2014: £8.84)	<u>42,000,000</u>	<u>18,291,200</u>

10. Intangible assets

	Goodwill £	Development costs £	Total £
Cost			
At 1 Jan 2015 and 31 Dec 2015	<u>649,082</u>	<u>28,628,872</u>	<u>29,277,954</u>
Amortisation			
At 1st January 2015	346,620	28,628,872	28,975,492
Impairment	<u>302,462</u>	<u>-</u>	<u>302,462</u>
At 31st December 2015	<u>649,082</u>	<u>28,628,872</u>	<u>29,277,954</u>
Carrying amount			
At 31st December 2015	<u>-</u>	<u>-</u>	<u>-</u>
At 31st December 2014	<u>302,462</u>	<u>-</u>	<u>302,462</u>

11. Property, plant and equipment

	At 1 Jan 2015 £	Additions £	Disposals £	Transfers £	At 31 Dec 2015 £
Cost					
Freehold property	23,414,476	2,197,833	-	709,546	26,321,855
Plant and machinery	102,583,448	5,986,645	(26,935)	(1,907,939)	106,635,219
Motor vehicles	57,466	12,294	-	-	69,760
	<u>126,055,390</u>	<u>8,196,772</u>	<u>(26,935)</u>	<u>(1,198,393)</u>	<u>133,026,834</u>
		At 1 Jan 2015 £	Charge for the year £	Disposals £	At 31 Dec 2015 £
Depreciation					
Freehold property		9,490,852	718,059	-	10,208,911
Plant and machinery		71,881,024	6,751,429	(25,785)	78,606,668
Motor vehicles		57,466	1,340	-	58,806
		<u>81,429,342</u>	<u>7,470,828</u>	<u>(25,785)</u>	<u>88,874,385</u>

Kingspan Limited

Notes to the Financial Statements *(continued)*

Year ended 31st December 2015

11. Property, plant and equipment *(continued)*

	At 31 Dec 2015 £	At 31 Dec 2014 £
Carrying amount		
Freehold property	16,112,944	13,923,624
Plant and machinery	28,028,551	30,702,424
Motor vehicles	10,954	–
	<u>44,152,449</u>	<u>44,626,048</u>

Included in transfers above is a reclassification of £709,546 between freehold property and plant and machinery, and the transfer of plant and machinery of £1,198,393 to fellow group companies.

Capital commitments

	2015 £	2014 £
Contracted for but not provided for in the financial statements	<u>1,530,437</u>	<u>3,907,842</u>

12. Investments

The company owns 100% of the issued share capital of the following companies, which are carried at nil value:

Kingspan Metl-Con Limited whose registered office is St. Hilda's Street, Sherburn, Malton, North Yorkshire, England.

Hoesch Building Systems Ltd whose registered office is Bagillt Road, Greenfield Business Park No.2, Greenfield, Holywell, Clwyd, Wales.

Kingspan PTE Limited whose registered office is in 80 Raffles Place, #25-01, UOB Plaza, Singapore.

13. Inventory

	2015 £	2014 £
Raw materials and consumables	4,969,449	5,149,459
Work in progress	23,181	9,307
Finished goods and goods for resale	2,198,803	2,159,268
	<u>7,191,433</u>	<u>7,318,034</u>

The above carrying value is shown net of an inventory provision of £1,362,509 (2014: £1,066,961).

A total of £159,955,620 (2014: £174,883,861) of inventories was included in the Income Statement as an expense.

Kingspan Limited

Notes to the Financial Statements *(continued)*

Year ended 31st December 2015

14. Trade and other receivables

	2015 £	2014 £
Trade debtors	46,350,034	46,125,327
Amounts owed by group undertakings	43,165,917	89,920,747
Prepayments and accrued income	20,829	273,341
	<u>89,536,780</u>	<u>136,319,415</u>

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

15. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	2015 £	2014 £
Cash at bank and in hand	4,347,924	4,786,383
Bank overdrafts	(4,899,416)	–
	<u>(551,492)</u>	<u>4,786,383</u>

16. Creditors: amounts falling due within one year

	2015 £	2014 £
Bank loans and overdrafts	4,899,416	24,228,842
Trade creditors	11,247,032	10,209,261
Amounts owed to group undertakings	7,349,595	29,359,899
Accruals	10,766,501	7,016,283
Corporation tax	5,562,574	571,345
Social security and other taxes	5,351,356	6,275,455
Other creditors	2,647,089	1,944,667
	<u>47,823,563</u>	<u>79,605,752</u>

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

Kingspan Limited

Notes to the Financial Statements (continued)

Year ended 31st December 2015

17. Deferred tax

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

	2015 £	2014 £
Included in provisions (note 18)	<u>2,181,000</u>	<u>2,234,000</u>

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

	2015 £	2014 £
Accelerated capital allowances	1,198,000	1,712,000
Deferred tax - other timing differences	983,000	522,000
	<u>2,181,000</u>	<u>2,234,000</u>

18. Provisions

	Warranties £	Deferred tax (note 17) £	Total £
At 1st January 2015	6,835,636	2,234,000	9,069,636
Additions	7,842,968	–	7,842,968
Charge against provision	(4,744,407)	–	(4,744,407)
Unused amounts reversed	(183,795)	(53,000)	(236,795)
At 31st December 2015	<u>9,750,402</u>	<u>2,181,000</u>	<u>11,931,402</u>

The following was recorded during the year with respect to warranties and guarantees:

	2015 £	2014 £
Specific Provisions	5,030,402	3,567,087
Risk based provisions	4,720,000	3,268,549
Total	<u>9,750,402</u>	<u>6,835,636</u>

19. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £1,193,919 (2014: £1,029,122).

There was a pension accrual of GBP187,772 (2014: GBP157,176) at the year end.

Defined benefit plans

The company is also principal employer of the Kingspan UK Retirement Benefit Scheme, a defined benefit scheme. This scheme was closed to new members on 31st December 2001 and replaced by a defined contribution arrangement for future service. Contributions are invested in insured funds administered independently of the company. During the year, the company made contributions of GBP1.3m to the scheme. The most recent actuarial valuation was carried out as at 31st March 2013, primarily using the projected unit method of valuation. Pension costs are assessed in accordance with the advice of an independently professionally qualified actuary. There were no outstanding or prepaid contributions with respect to this scheme as at 31st December 2015.

Kingspan Limited

Notes to the Financial Statements (continued)

Year ended 31st December 2015

19. Employee benefits (continued)

The statement of financial position net defined benefit asset is determined as follows:

	2015 £	2014 £
Present value of defined benefit obligations	(48,886,000)	(51,598,000)
Fair value of plan assets	54,242,000	55,042,000
	<u>5,356,000</u>	<u>3,444,000</u>

Changes in the present value of the defined benefit obligations are as follows:

	2015 £
At 1st January 2015	51,598,000
Interest expense	1,817,000
Benefits paid	(2,260,000)
Remeasurements:	
Actuarial gains and losses	(2,269,000)
At 31st December 2015	<u>48,886,000</u>

Changes in the fair value of plan assets are as follows:

	2015 £
At 1st January 2015	55,042,000
Interest income	1,962,000
Benefits paid	(2,381,000)
Contributions by employer	1,313,000
Remeasurements:	
Actuarial gains and losses	(1,694,000)
At 31st December 2015	<u>54,242,000</u>

The total costs for the year in relation to defined benefit plans are as follows:

	2015 £	2014 £
Recognised in profit or loss:		
Current service cost	121,000	96,000
Net interest income	(145,000)	(252,000)
	<u>(24,000)</u>	<u>(156,000)</u>
Recognised in other comprehensive income:		
Other income/(costs)	24,000	156,000
Remeasurement of the liability:		
Actuarial gains and losses	2,269,000	(5,986,000)
Return on plan assets, excluding amounts included in net interest	(1,694,000)	3,131,000
	<u>599,000</u>	<u>(2,699,000)</u>

Kingspan Limited

Notes to the Financial Statements (continued)

Year ended 31st December 2015

19. Employee benefits (continued)

The fair value of the major categories of plan assets are as follows:

	2015	2014
	%	%
Equity instruments	62.00	58.00
Debt instruments	38.00	21.00
Other assets	–	21.00

The return on plan assets are as follows:

	2015	2014
	£	£
Return on assets of benefit plan	268,000	5,423,000

The principal actuarial assumptions as at the statement of financial position date were:

	2015	2014
	%	%
Discount rate	3.80	3.60
Expected rate of increase in pensions	1.80	1.90
Inflation rate	2.90	3.00

20. 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 2015 and 31 December 2014.

	2015		2014	
	No.	Weighted Average Exercise Price	No.	Weighted Average Exercise Price
Exercised PSP during the year	95,318	0.13	26,351	0.13
Exercised SSOS during the year	50,052	12.21	31,601	5.65
Total share options exercised during the year	145,370		57,952	
Outstanding at the end of the year	218,475	0.89	339,379	2.40

Kingspan Limited

Notes to the Financial Statements (continued)

Year ended 31st December 2015

21. Called up share capital

Issued, called up and fully paid

	2015		2014	
	No	£	No	£
Ordinary shares of £1 each	<u>2,070,000</u>	<u>2,070,000</u>	<u>2,070,000</u>	<u>2,070,000</u>

22. 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 Limited.

Profit and loss account - This reserve records retained earnings and accumulated losses.

23. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2015	2014
	£	£
Due within 1 year	644,253	517,469
Due later than 1 year and not later than 5 years	<u>1,227,633</u>	<u>475,951</u>
	<u>1,871,886</u>	<u>993,420</u>

24. Contingencies

There is a contingent liability on the company in respect of guarantees given for borrowings by fellow subsidiaries and parent. These borrowings amounted to EUR1,327,732 at 31st December 2015 (2014: EUR311,265,061). The movement in the year relates to the amendment of the terms for borrowings by fellow subsidiaries and parent and the cessation of the existing guarantees.

25. Related party transactions

The company has availed of the exemption under IAS24 *Related Party Disclosures* paragraph 3 (c) which allows non-disclosure of transactions with other group companies.

26. Controlling party

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

The immediate parent company is Kingspan Holdings (Panels) Limited, a company incorporated in the United Kingdom.

27. Approval of financial statements

The financial statements were approved by the directors on 24 June 2016.