

Kingspan A/S
Annual report 2016

The annual report was presented and adopted at the
Company's annual general meeting

on _____ 20 ____

chairman

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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Kingspan A/S for the financial year 1 January – 31 December 2016.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 2016.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report should be approved at the annual general meeting.

Støvring, 31 May 2017

Executive Board:

Per Baumann Røddik

Board of Directors:

Paul Francis O'Gorman

Chairman

Christopher Garret
Crowe

Nigel Stuart Croft

Independent auditor's report

To the shareholders of Kingspan A/S

Opinion

We have audited the financial statements of Kingspan A/S for the financial year 1 January – 31 December 2016, comprising income statement, balance sheet and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements 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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines 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, Management is 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 in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may 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 financial statement users made on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view

Independent auditor's report

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Aalborg, 31 May 2017

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Steffen S. Hansen
State Authorised
Public Accountant

Management's review

Company details

Kingspan A/S
Mercurvej 12A
DK-9530 Støvring

Telephone: +45 70 21 77 88
E-mail: info@kingspan-byg.dk
CVR no.: 26 06 52 67
Established: 17 May 2001
Registered office: Rebild
Financial year: 1 January – 31 December

Board of Directors

Paul Francis O'Gorman (Chairman)
Christopher Garret Crowe
Nigel Stuart Croft

Executive Board

Per Baumann Røddik, CEO

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Østre Havnegade 18
DK-9000 Aalborg

Annual general meeting

The annual general meeting will be held on 31 May 2017.

Management's review

Operating review

Principal activities of the Company

Kingspan A/S sells panels and fixtures for the construction of industrial buildings.

Development in activities and financial position

Earnings before interest and tax (EBIT) totalled DKK 2,254 thousand as against DKK 1,830 thousand in 2015.

Profit for the year totalled DKK 1,675 thousand as against DKK 1,218 thousand in 2015.

Profit before tax was positively impacted with DKK 400 thousand regarding the reversal of provision relating to claim for which a successful outcome was obtained in January 2017.

The Board of Directors considers the profit for the year satisfactory.

Management expects operating activities and results for 2017 to be in line with 2016.

Events after the balance sheet date

No events have occurred after the balance sheet date which could significantly affect the financial standing of the entity at 31 December 2016.

Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2016	2015
Gross profit		7,609	7,991
Staff costs	2	-5,299	-6,120
Depreciation of property, plant and equipment		-56	-41
Other income		0	0
Operating profit		2,254	1,830
Financial income		0	0
Financial expenses		-114	-172
Profit before tax		2,140	1,658
Tax on profit for the year	3	465	-439
Profit for the year		<u>1,675</u>	<u>1,219</u>
Proposed profit appropriation			
Proposed dividends		0	0
Retained earnings		1,675	1,219
		<u>1,675</u>	<u>1,219</u>

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2016	2015
ASSETS			
Fixed assets			
Property, plant and equipment			
Fixtures and fittings, tools and equipment	4	190	246
Total fixed assets		190	246
Current assets			
Inventories			
Inventories		348	432
		348	432
Receivables			
Trade receivables		6,068	8,954
Receivables from group entities		1,082	0
Other receivables		609	635
Prepayments		182	176
Deferred tax assets		18	25
		7,959	9,790
Cash at bank in and in hand		7,672	4,362
Total current assets		15,979	14,584
TOTAL ASSETS		16,169	14,830

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2016	2015
EQUITY AND LIABILITIES			
Equity	5		
Share capital		500	500
Retained earnings		9,963	8,288
Proposed dividends		0	0
Total equity		<u>10,463</u>	<u>8,788</u>
Current liabilities			
Trade payables		299	1,051
Payables to group entities		0	22
Corporation tax		275	987
Other payables		5,132	3,982
Total liabilities		<u>5,706</u>	<u>6,042</u>
TOTAL EQUITY AND LIABILITIES		<u><u>16,169</u></u>	<u><u>14,830</u></u>
Contractual obligations, contingencies, etc.	6		
Ownership	7		

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Kingspan A/S for 2016 has been presented in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act.

As from 1 January 2016, the Company has fully implemented Act no. 738 of 1 June 2015. *This has entailed the following changes to recognition and measurement:*

- Going forward, the residual value of intangible assets and property, plant and equipment must be reassessed on an ongoing basis. Pursuant to the transition provisions of the Act, any adjustments to residual values must be made prospectively as an accounting estimate without restatement of comparative figures and without effect on equity.

The changes have no monetary effect on the income statement or the balance sheet for 2016 or on the comparative figures.

Income statement

Assets are recognised on the balance sheet when it is probable that future economic benefits will flow to the Company and the value of the asset can be reliably measured.

Liabilities are recognised on the balance sheet when an outflow of economic benefits is probable and when the liability can be reliably measured. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual item.

When assets and liabilities are recognised and measured, any gains, losses and risks occurring prior to the presentation of the annual report that evidence conditions existing at the balance sheet date are taken into account.

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities measured at fair value or amortised cost. Equally, costs incurred to generate the year's earnings are recognised, including depreciation, amortisation, impairment and provisions as well as reversals as a result of changes in accounting estimates of amount which were previously recognised in the income statement.

Revenue

Income from the sale of goods for resale and finished goods is recognised in the income statement provided that delivery and transfer of risk to the buyer have taken place and that the income may be reliably measured and is expected to be received.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

Income statement

Revenue is measured at the fair value of the agreed consideration, excluding VAT and taxes charged on behalf of third parties. All discounts granted are deducted from revenue.

Financial income and expenses

Financial income and expenses comprise interest income and expense and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on profit/loss for the year

The Company is jointly taxed with its affiliated Danish companies. Current Danish corporation tax is allocated between the jointly taxed companies in proportion to their taxable income (full absorption with refunds for tax losses). The jointly taxed companies are taxed under the on account tax scheme.

Tax for the year comprises current tax for the year and changes in deferred tax. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Balance sheet

Property, plant and equipment

Fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

The basis of depreciation, which is calculated as cost less any residual values, is depreciated on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Fixtures and fittings, tools and equipment	3-7 years
Software	3 years

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale, raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable has been impaired.

Prepayments, assets

Prepayments comprise prepayments of costs relating to subsequent financial years.

Equity - dividends

Proposed dividends are recognised as a liability at the date on which they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

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1 Accounting policies (continued)

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable in respective counties at the balance sheet date when the deferred tax is expected to crystallise as current tax. The change in deferred tax as a result of changes in tax rates is recognised in the income statement.

Liabilities other than provisions

Financial liabilities are measured at amortised cost, corresponding to nominal value.

DKK'000	2016	2015
2 Staff costs		
Wages and salaries	4,783	5,570
Pensions	15	24
Other social security costs	501	526
	5,299	6,120
Average number of employees	7	8
3 Tax on profit for the year		
Current tax for the year	506	394
Change in tax, previous years	-48	14
Deferred tax adjustment for the years	7	31
	465	439

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4 Property, plant and equipment

DKK'000	Software	Fixtures and fittings, tools and equipment	Total
Cost at 1 January 2016	405	278	683
Additions	0	0	0
Disposals	0	0	0
Cost at 31 January 2016	405	278	683
Depreciation at 1 January 2016	405	32	437
Depreciation on disposals	0	0	0
Depreciation for the year	0	56	56
Depreciation at 31 December 2016	405	88	493
Carrying amount at 31 December 2016	0	190	190

5 Equity

DKK'000	Share capital	Retained earnings	Proposed dividends	Total
Balance at 1 January 2016	500	8,288	0	8,788
Dividends, distributed	0	0	0	0
Transferred, see the profit appropriation	0	1,675	0	1,675
Balance at 31 December 2016	500	9,963	0	10,463

The share capital comprises 500 shares of DKK 1,000 each. All shares rank equally. The share capital has remained unchanged for the last five years.

Financial statements 1 January – 31 December

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6 Contractual obligations, contingencies, etc.

Joint taxation

The Company is jointly taxed with the other Danish group companies. As a wholly-owned subsidiary, together with the other companies included in the joint taxation, the Company has joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties. Any subsequent correction of the taxable joint taxation income or withholding taxes might increase the Company's liability.

7 Related party disclosures

Kingspan A/S is part of the consolidated financial statements of Hoesch Bausysteme GmbH, registered office, which is the smallest group in which the Company is included as a subsidiary.