LIGHT ON ENERGY LIGHT ON THE PLANET HIGH ON EFFICIENCY

JUST SAVE IT

ANNUAL REPORT &
FINANCIAL STATEMENTS 2012

Kingspan®
Alternative2Energy

WORLDWIDE, KINGSPAN BUILDING ENVELOPE INSULATION SYSTEMS HAVE SAVED 120 MILLION MWh PER YEAR...

Kingspan is transforming the way buildings are designed, constructed and operated within the built environment — JUST SAVE IT.

FINANCIAL HIGHLIGHTS

for the year ended 31 December 2012

	2012	2011	% Change
Group sales	**€1,628.7m**	€1,546.9m	+5.3%
EBITDA[1]	**€147.9m**	€133.6m	+10.7%
Trading profit	**€107.7m**	€95.7m	+12.5%
Basic earnings per share	**43.8 cent**	37.1 cent	+18.1%
Dividend per share for the year	**12.25 cent**	11 cent	+11.0%
Interest cover (EBITDA/Net Interest)	**10.0 times**	10.2 times	
Gearing ratio (net debt as % shareholders' funds)	**20.3%**	23.1%	

[1] Earnings before finance cost, income taxes, depreciation and intangible amortisation.

A Kingspan high performance envelope system, as part of a **'Lean, Clean, Green'** integrated approach to building optimisation, can lead to operational energy cost savings of up to **65-70%** on standard new buildings, often with no or little additional capital cost.

JUST SAVE IT.

Kingspan
Alternative2Energy

CHAIRMAN'S STATEMENT

I AM PLEASED TO REPORT THAT 2012 WAS THE THIRD SUCCESSIVE YEAR OF PROFIT GROWTH AT KINGSPAN SINCE THE GLOBAL ECONOMIC CRASH IMPACTED IN 2008. THIS POSITIVE PERFORMANCE WAS ACHIEVED NOTWITHSTANDING THE CONTINUING MACRO-ECONOMIC HEADWINDS THAT PERVADE OUR KEY MARKETS.

Whilst total revenues grew modestly to €1.63 billion, reflecting hesitant recovery in the building environment, trading profits increased by 13% to €107.7 million, due to the Company's continued focus on margin management and higher value added products. The Company ended the year with its strong balance sheet very much intact, with net assets increased to €813 million and net debt reduced to €166 million.

During 2012, Kingspan spent almost €74 million on significant strategic investments which broadened the Group's geographic footprint in our core insulated panel business. In the latter part of the year, the acquisition of the ThyssenKrupp Construction Group gave Kingspan market leading positions in Europe and added the leading brands of Hoesch, Isocab and Ems to the Kingspan stable. In addition, the acquisition of Rigidal Industries LLC, based in Dubai, has opened up new markets in the Gulf States where a major infrastructure programme is driving increased demand for high performance insulation. Although there is much to do to integrate and maximise the synergies of these acquisitions, they both present very exciting opportunities for the future of Kingspan.

FALCON WHARF, LONDON, UK / INSULATED PANELS

...THAT'S EQUIVALENT TO 4.2 BILLION EUROS EACH YEAR... 23.0 MILLION TONNES CO_2 EACH YEAR...

[Kingspan building envelope insulation systems provide lower operating costs and increased asset value — JUST SAVE IT.]

...AND SAVING 54.0 MILLION BARRELS OF OIL EACH YEAR... SWITCHING 4.1 MILLION HOUSES TO ZERO CARBON EACH YEAR...

Energy efficiency is the key to a competitive advantage - the Kingspan Value Proposition provides optimal HVAC capital cost through proven operational energy savings with reduced CO_2 emissions — JUST SAVE IT.

CHAIRMAN'S STATEMENT

Management & employees

I wish to thank both the management and employees throughout Kingspan who have fully met the challenges that they faced in 2012, and who enthusiastically embrace the opportunities that lie ahead.

Dividend

The Board is recommending a final dividend of 7.25 cent per share, which if approved at the Annual General Meeting, will give a total dividend for the year of 12.25 cent, an increase of 11% on prior year. The total dividend for the year is covered 3.5 times by the Group's earnings per share. The Board's policy is to balance continued growth in dividends with the Group's plans for strategic acquisition and investment.

If approved, the final dividend will be paid (subject to Irish withholding tax rules) on 16 May 2013 to shareholders on the register at close of business on 26 April 2013.

Board changes

Last year, we were very pleased to welcome Kieran Murphy as a non-executive director to the Board and, as previously announced, Linda Hickey will be joining the Board as a non-executive director in June this year. Both bring different but very valuable skillsets and experience to the Board.

Following the conclusion of this year's Annual General Meeting, Tony McArdle will be retiring as a non-executive director upon the expiration of his term of office. On behalf of the Board, I would like to thank Tony most sincerely for his contribution over the years and wish him well in the future. The role of Senior Independent Director will be taken on by David Byrne following Tony's retirement.

INDESCON COURT, LONDON, UK / INSULATION

LOOKING AHEAD

Whilst many uncertainties still loom on the global horizon, I am pleased to report that the Group and its leadership team are well poised to deliver growth and drive shareholder value. I am confident that with the combination of new geographic markets and exciting new high performance insulation and building envelope solutions, Kingspan will continue to outperform its sector in 2013.

Eugene Murtagh
Chairman

25 February 2013

CHIEF EXECUTIVE'S REVIEW

2012 PROVED TO BE A POSITIVE YEAR FOR KINGSPAN WITH REVENUE UP 5% TO €1.63BN AND TRADING PROFIT UP 13% TO €107.7M AS A RESULT, EARNINGS PER SHARE ROSE 18% TO 43.8 CENT.

Whilst our end-markets continue to experience weakness, which has become somewhat the norm, the Group pressed ahead with penetration growth across both the mature and the embryonic markets in which it is present. This progress was again facilitated by many of Kingspan's unique high performance building envelope and insulation solutions that, even in dull economic times, provide a compelling case for savings through energy efficiency.

Activity in the wider building and renovation markets of the UK, now representing 38% of our sales, remained generally subdued through 2012 although residential newbuild and retail/distribution projects provided some respite. Mainland Europe was quite mixed with Germany and elements of Central Europe growing and the Benelux receding considerably. This region as a whole accounted for 37% of revenue. North America proved stable for Kingspan, generating 14% of Group sales, and is a region that can be the source of significant structural penetration led growth over the longer term. Ireland, at 4% of sales, continued to languish. The Australasian market softened slightly and, notwithstanding the difference in scale, continues to share similar conversion potential to that of North America.

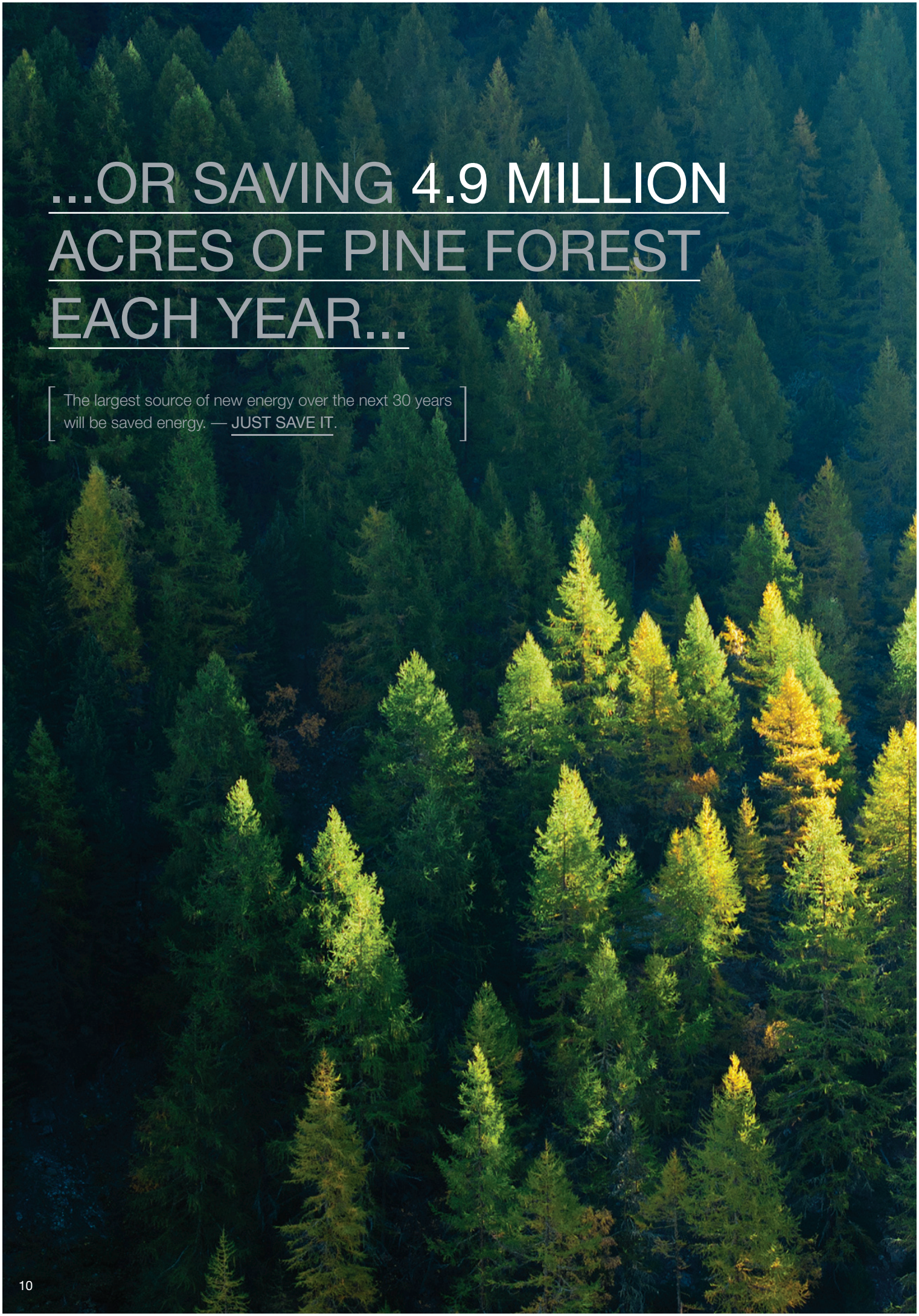
In August 2012 we announced two acquisitions. ThyssenKrupp Construction with manufacturing activities in Germany, France, Benelux and Hungary, was acquired for a total consideration of €54.3m including an assumed pension liability. Rigidal Industries LLC, a roofing and building envelope business in the United Arab Emirates, was acquired at an initial consideration of €22.0m and an additional amount of €6.5m may become payable contingent on future performance.

2012 Highlights

- Revenue up 5% to €1.63bn, down 1% excluding the impact of acquisitions.
- Trading profit up 13% to €107.7m, an increase of 12% excluding the impact of acquisitions.
- Basic EPS up 18.1% to 43.8 cent.
- Final dividend per share of 7.25 cent. Total dividend for the year up 11% to 12.25 cent.
- Free cashflow up 39% to €106.6m.
- A decrease in net debt to €165.5m (2011: €170.1m) with strong cash generation offsetting a net acquisition spend of €72.5m. Net debt to EBITDA of 1.12x (2011: 1.3x).
- Solid overall performance in Insulated Panels with sales revenue up 11%, particularly strong in Germany, Canada and Australia.
- Robust performance in Insulation Boards where revenues were up 2%, stable in the UK, and slightly up in Continental Europe.
- Continued stability of data centre related construction led to a relatively positive year for Access Floors, with revenue up 22%.
- Trading in Environmental proved tough where revenue was down 19%, in a year of tight markets and internal consolidation.
- In August, both the German based ThyssenKrupp Construction and the UAE based Rigidal Industries LLC were acquired for a combined initial cash consideration of €61.6m.

...TAKING 9.5 MILLION CARS OFF THE ROAD EACH YEAR... CLOSING 4.2 COAL FIRED POWER STATIONS EACH YEAR...

Kingspan's energy saving buildings capture new product markets, saving cost for the international property sector — JUST SAVE IT.



...OR SAVING 4.9 MILLION ACRES OF PINE FOREST EACH YEAR...

[The largest source of new energy over the next 30 years will be saved energy. — JUST SAVE IT.]

CHIEF EXECUTIVE'S REVIEW

These are significant developments for Kingspan insofar as they provide the Group with a firm footing in markets that we have earmarked for their organic and long-term potential. Both were funded from existing facilities and at year end the Group's debt/EBITDA ratio was 1.12 times.

INSULATED PANELS

UK

Sales volume in Great Britain was down marginally in the year, by 2%, representing a robust performance against a backdrop of weaker non-residential activity in the region. Again, retail and distribution activity, coupled with growing architectural product sales, provided a solid base for the business. Quotation levels were relatively stable, and the overall medium term activity pipeline has displayed some encouraging improvement in recent months. This is not likely to have any immediate positive impact as the early part of 2013 is still expected to remain tough.

Mainland Europe

Sales volume across the region grew by 1% demonstrating the continued growth in penetration of high performance building envelopes in mainland Europe. The pattern of trade was mixed depending on the country, with Germany, Czech Republic, Hungary and the Nordics all advancing. In contrast, the Benelux and France proved more testing as overall construction activity waned as the year progressed. The order book at year-end would point towards a continuation of this trend into the early part of the current year.

North America

Against a weak commercial building environment in the US, volume dipped by 10% in the period, buoyed somewhat by stronger sales in Canada, and continued conversion in the Commercial & Industrial segment of the US market. This segment, which is margin enhancing and the ultimate target for our business in North America, was again key in counter-balancing some share loss in the more commoditised cold storage sector. Order intake year on year was up 9% which would indicate some improvement in sales in the early part of 2013.

Australasia

Sales in this region continued to advance, growing 26% year on year, as the conversion agenda in both Australia and New Zealand added momentum to that achieved in recent years.

This was particularly evident from a number of notable successes in driving specifications away from traditional built-up cladding systems to Kingspan solutions. Early progress has also been made in entering select South East Asian markets, with product being supplied primarily from our Australian manufacturing location.

Ireland

Sales volume drifted downward by 17% but appears to have found a base. Volumes are now at exceptionally low levels, reflecting weak indigenous new build demand combined with the excess space built in better times. The continued absorption of this vacant space can be expected to suppress demand for our products for a few years to come. However, we remain fully committed to the longer term development of our business in Ireland.

Insulated Panels

	FY 2012 €m	FY 2011 €m	Change
Turnover	840.4	758.0	+11%[1]
Trading Profit	61.7	50.5	+22%
Trading Margin	7.3%	6.7%	+60bps

[1] Comprising acquisition impact +10%, volume -5%, price/mix +2% and currency impact +4%

CAMINO NUEVO HIGH SCHOOL, LOS ANGELES, USA / INSULATED PANELS

CHIEF EXECUTIVE'S REVIEW

AQUATICS CENTRE LONDON, UK / INSULATION

INSULATION BOARDS

UK

Volumes of rigid board in the UK were flat year on year, which given the generally subdued nature of activity, was a solid outcome. Of note firstly was the strong growth in Kooltherm® sales across the region, particularly in applications such as external wall insulation and soffit lining, where the unique thermal and fire performance qualities of this technology are key. Secondly, refurbishment of both domestic and non-residential buildings has continued to replace weak newbuild as existing property owners seek greater operating efficiency from their buildings. This trend can be expected to remain into 2013, potentially supported by some improvement in newbuild housing activity.

Western Europe

Our business in this region comprises two currently distinct product offerings.
The first is that of high performance rigid boards with the second being EPS roofing elements and boards which are largely geared towards newbuild in the Netherlands. The latter has suffered due to the sharp contraction in its end market but was offset by the continued rise in penetration of our Kooltherm® and PIR technologies across the Benelux, Germany and France. The net effect was that overall volume was flat in the period.
In early 2014, and to support future growth, we will commission a new rigid board line in the eastern part of Germany to supply that region as well as the key neighbouring central European markets.

Australasia

Given the predominantly residential bias of our activity in Australia, volume slipped 7% during 2012. This decline was only evident in the more elementary product range, and masks what was otherwise very strong growth in Kooltherm® sales in both Australia and South East Asia.
A continuation of this growth profile should result in the need for local manufacturing capacity around 2015 and this remains the medium term aim for the region.

Ireland

Sales in Ireland fell 12% as residential construction hit new lows. Activity in this segment in 2012 declined once again, and is now markedly below what can be expected to be its longer term average. Our focus remains on driving specification growth in the meantime.the meantime.

Insulation Boards

	FY 2012 €m	FY 2011 €m	Change
Turnover	470.4	460.4	+2%[1]
Trading Profit	29.5	25.7	+15%
Trading Margin	6.3%	5.6%	+70bps

[1] Comprising growth from price/mix +1%, volume -2% and currency impact +3%

...BUT WE CAN SAVE MORE...

INDEPENDENT STUDIES HAVE REPEATEDLY CONCLUDED THAT THE MOST COST-EFFECTIVE ENERGY SAVING MEASURE AVAILABLE TO A BUILDING IS THE APPLICATION OF A HIGH PERFORMANCE ENVELOPE SYSTEM.

Step 1

Kingspan EnvelopeFirst™

The first step to Net-Zero Energy Buildings – the most improvement for least cost.

Step 2

Energy Efficiency Measures -

Optimised building services and controls.

Step 3

Kingspan Insulate & Generate EnvelopeFirst™ + PowerPanel Integrated Solar PV

Step 4

Net-Zero Energy Buildings

Highly energy efficient buildings that are energy neutral over the course of a year.

JUST SAVE IT

OLYMPIC STADIUM LONDON, UK / INSULATION

CHIEF EXECUTIVE'S REVIEW

ACCESS FLOORS

Sales volume increased 9% worldwide as data centre related construction continued to perform well and office construction in the UK began to improve once again.

In North America, primary investor led data centre activity was once again solid, which to some extent compensated for high rise office building being at its lowest level in over 30 years. The medium term forecast for this segment is encouraging, and should this be the case, growth is anticipated to resume in 2014 as vacancy rates become unsustainably low in key commercial centres. The Tate brand is the region's leading player and is exceptionally well positioned to capitalise on progress as it occurs. To complement this we continue to develop products that will serve to cement that position.

In Europe, London in particular, has already begun to experience a rebound in office sector construction. Given the late cycle nature of the fit-out element of these structures, we expect to see shipments improve gradually through 2013.

2012 also saw our entry into the Australasian market. Although volume was expected to be better, it was a year to build our brand and presence for the longer term. 2013 should see an improvement in output based on the pipeline of projects currently in quotation.

Access Floors

	FY 2012 €m	FY 2011 €m	Change
Turnover	154.1	126.2	+22%[1]
Trading Profit	15.3	12.8	+20%
Trading Margin	9.9%	10.2%	-30bps

[1] Comprising acquisition impact +9%, volume +9%, price/mix -5% and currency impact +9%


CARDINAL PLACE, LONDON, UK / ACCESS FLOORS

ANTARCTIC STATION / KINGSPAN ENVIRONMENTAL

ENVIRONMENTAL

In a year characterised by internal consolidation and significant reorganisation, sales revenue in this business dropped 19%. The year-on-year sales comparative has been relatively constant since quarter two, from which time a one-off contract for regulated agricultural vessels to France drew to a close. Absent these sales, the underlying like-for-like revenue was down 10%.

The result of the restructuring that took place during the year is a single sales organisation, marketing multiple product categories, as distinct from the separate product focused business units of the past. Aside from the market benefits, the result is a significantly leaner cost base more appropriate for a business of its current size.

Small scale wind, solarthermal, and hot water applications all recorded growth during 2012 and we expect to build upon this in the year ahead.

Environmental

	FY 2012 €m	FY 2011 €m	Change
Turnover	163.8	202.3	-19%
Trading Profit	1.2	6.7	-82%
Trading Margin	0.7%	3.3%	-260bps

CHIEF EXECUTIVE'S REVIEW

Our strategy

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

- Conversion from traditional insulation and building techniques.
- Innovating within our space to consistently maintain a competitive edge.
- Broadening our geography, 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 Group well, will remain the focus of our execution for the foreseeable future.

Looking ahead

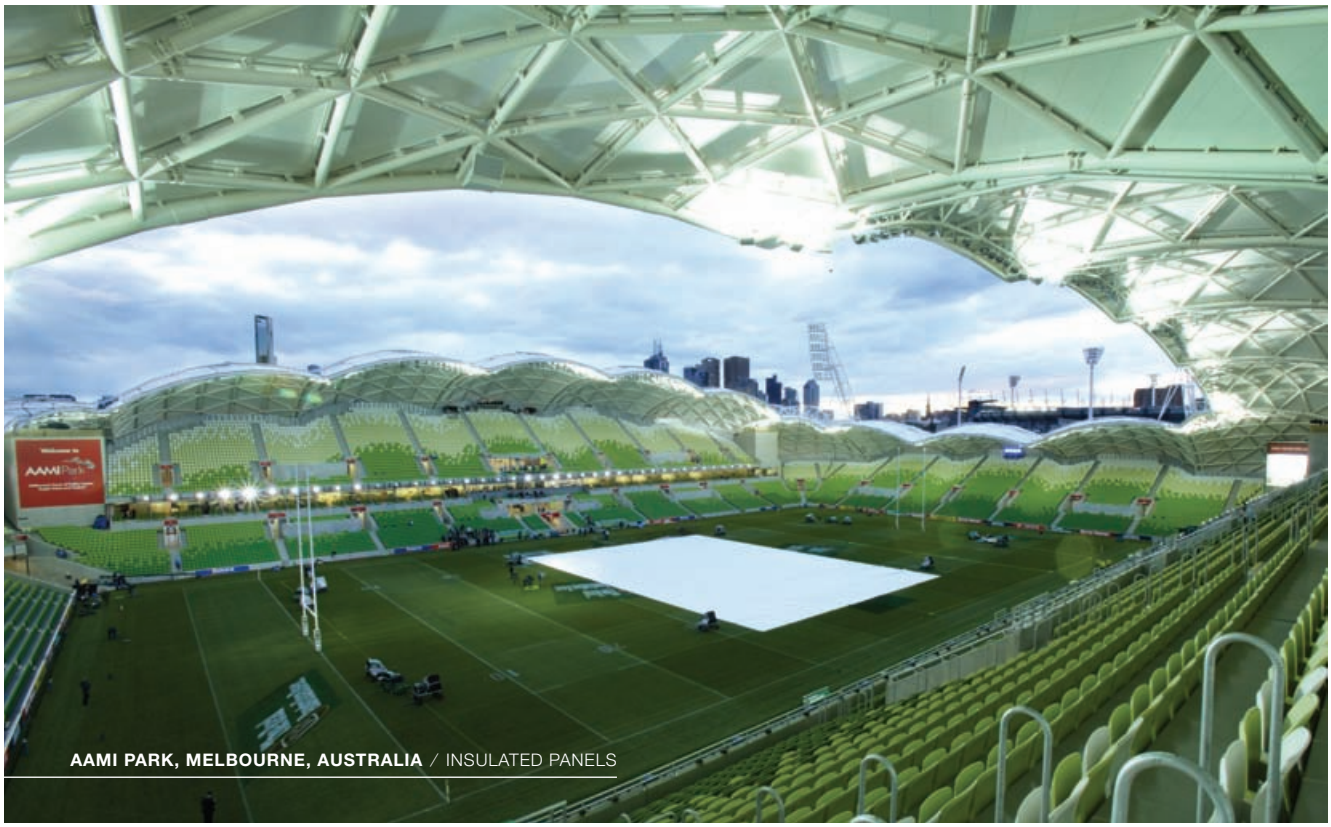
In recent months, the improving positivity in global financial markets cannot be ignored, even if the on-the-ground sense in many of Kingspan's end markets remains undeniably testing.

Building activity in the early months of 2013 has been sluggish in the UK and Western Europe, probably owing in some way to the macro concern that prevailed six months earlier. Presently, however, key indicators in the US, together with the relative robustness of Germany, and pockets of growth in the Gulf region all provide some scope for optimism. Diluting this somewhat is the continued frailty of the Dutch economy, growing concerns about France and emerging weakness in Australia which, combined, could lead to a comparatively tough first half of the year.

The benefits of energy efficiency continue to gain momentum globally. Kingspan's positioning at the heart of what is a structural dynamic is key to our future which, allied to the strength of our balance sheet, ensures the Group remains well equipped for the long haul.

Gene M. Murtagh
Chief Executive Officer

25 February 2013



AAMI PARK, MELBOURNE, AUSTRALIA / INSULATED PANELS


ExCeL
LONDON

FINANCIAL REVIEW

OVERVIEW OF RESULTS

GROUP REVENUE INCREASED BY 5% TO €1.63BN (2011: €1.55BN) AND TRADING PROFIT INCREASED BY 13% TO €107.7M (2011: €95.7M) RESULTING IN AN IMPROVEMENT OF 40 BASIS POINTS IN THE GROUP'S TRADING PROFIT MARGIN TO 6.6% (2011: 6.2%). THE TRADING PROFIT MARGIN GREW BY 70 BASIS POINTS TO 6.9% EXCLUDING THE IMPACT OF ACQUISITIONS. BASIC EPS FOR THE YEAR WAS 43.8 CENT, REPRESENTING AN INCREASE OF 18% (2011: 37.1 CENT).

The Group's underlying sales and trading profit growth by division are set out below:

Sales	Underlying	Currency	Acquisition	Total
Insulated Panels	-3%	+4%	+10%	+11%
Insulation Boards	-1%	+3%	-	+2%
Environmental	-23%	+4%	-	-19%
Access Floors	+4%	+9%	+9%	+22%
Group	-5%	+4%	+6%	+5%

The Group's trading profit measure is earnings before interest, tax and amortisation of intangibles:

Trading Profit	Underlying	Currency	Acquisition	Total
Insulated Panels	+14%	+6%	+2%	+22%
Insulation Boards	+8%	+7%	-	+15%
Environmental	-85%	+3%	-	-82%
Access Floors	+11%	+10%	-1%	+20%
Group	+6%	+6%	+1%	+13%

FINANCIAL REVIEW

Finance costs

Finance costs for the year increased by €1.6m to €14.7m (2011: €13.1m). Finance costs include a near neutral non-cash item (2011: €0.6m credit) in respect of the Group's legacy defined benefit pension schemes. A net non-cash credit of €0.4m was recorded in respect of swaps on the Group's USD private placement notes (2011: charge of €0.3m). The Group's net interest expense on borrowings (bank and loan notes) was €15.7m compared to €13.6m in 2011. This increase reflects the full year effect of the USD private placement completed in August 2011 which was used to repay the shorter term revolving credit bank facility with the balance placed on deposit to fund the Group's future development needs.

Non trading items

The Group recorded a non trading credit of €0.1m in the year. The components of this are set out below:

	€m
Negative goodwill	34.5
Acquisition related costs	(13.2)
Impairment of goodwill and intangibles	(21.2)
	0.1

The negative goodwill relates to ThyssenKrupp Construction and arises due to the fair value of the acquired net assets exceeding the consideration paid. The resulting gain has been taken to the Consolidated Income Statement.
The acquisition related costs included transaction expenses and the costs incurred in integrating the acquisition into the Group's operations and structure. The goodwill impairment charge relates to the write off of the goodwill in certain units of the Group's timberframe and renewable businesses.

Taxation

The tax charge for the year was €15.3m (2011: €14.9m) which represents an effective tax rate of 16.4% (2011: 18%) on earnings before amortisation.

Dividends

The Board has proposed a final dividend of 7.25 cent per ordinary share payable on 16 May 2013 to shareholders registered on the record date of 26 April 2013. When combined with the interim dividend of 5.0 cent per share, the total dividend for the year increased to 12.25 cent (2011: 11 cent), an increase of 11%.

Acquisitions

The Group's cash acquisition spend during 2012 was €72.5m, the key acquisition being ThyssenKrupp Construction for an initial cash consideration of €39.6m. In addition, the Group assumed a defined benefit pension liability of €14.7m. Further details in respect of the acquisition are set out in Note 24 of the financial statements.
The Group also acquired Rigidal Industries LLC for an initial consideration of €22.0m. A future amount of up to €6.5m may become payable depending on its performance in the two years to 30 June 2014.

Retirement benefits

The Group has two legacy defined benefit schemes which are closed to new members and to future accrual.
In addition, the Group assumed a defined benefit pension liability of €14.7m in respect of current and former employees of ThyssenKrupp Construction acquired during the year. The net pension deficit in respect of these schemes and obligations was €12.3m as at 31 December 2012 (31 December 2011: deficit of €1.4m).

Key performance indicators

The Group has a set of key performance indicators which are set out in the table below:

EPS growth. The growth in EPS is accounted for by the 13% increase in trading profit generating a 19% increase in profit after tax. Sales growth of 5% (2011: 30%) was driven by a 6% contribution from acquisitions, a 4% increase due to the positive impact of currency translation offset by a 5% decrease in underlying sales. The key driver of the underlying sales decrease was the 19% sales decline in the Environmental division.

Trading margin by division is set out below:

	2012	2011
Insulated Panels	7.3%	6.7%
Insulation Boards	6.3%	5.6%
Environmental	0.7%	3.3%
Access Floors	9.9%	10.2%

The increase in the Insulated Panels division trading margin reflects operating leverage in certain geographies as well as increased architectural panel sales.
The trading margin improvement in the Insulation Boards division reflects a positive Kooltherm® sales mix in 2012 and restructuring charges recorded in 2011.
The decrease in the Environmental trading margin was due to the impact of a sales decrease of 19%. The decrease in trading margin in Access Floors reflects the year on year sales mix between domestic and international markets as well as the office/data centre mix.

Free cashflow is an important indicator and it reflects the amount of internally generated capital available for re-investment in the business or for distribution to shareholders.

Key performance indicators	2012	2011
Basis EPS growth	18%	27%
Sales growth	5%	30%
Trading margin	6.6%	6.2%
Free cashflow (€m)	106.6	76.9
Return on capital employed	10.7%	10.0%
Net debt/EBITDA	1.12x	1.3x

Free cashflow	2012 €m	2011 €m
EBITDA*	147.9	133.6
Non-cash items	(7.4)	8.2
Movement in working capital	31.9	(17.0)
Capital expenditure	(31.8)	(23.6)
Pension contributions	(3.0)	(2.8)
Finance costs	(17.1)	(11.7)
Income taxes paid	(13.9)	(9.8)
Free cashflow	106.6	76.9

* Earnings before finance costs, income taxes, depreciation and amortisation

Working capital at year end was €200.0m (2011: €188.6m) and represents 12.3% of annual turnover (2011: 12.2%). A significant element of the working capital movement during 2012 reflects a reduction, in the acquired businesses, in levels of working capital on acquisition and at year end. This metric is monitored throughout the year and is subject to a certain amount of seasonal variability associated with trading patterns and the timing of significant purchases for steel and chemicals.

Return on capital employed, calculated as operating profit divided by total equity plus net debt, was 10.7% in 2012 (2011: 10.0%).

Net debt to EBITDA measures the ratio of debt to earnings and at 1.12x is comfortably less than the Group's banking covenant of 3.5x in both 2012 and 2011.

Financing

The Group funds itself through a combination of equity and debt. Debt is funded through a combination of syndicated bank facilities and private placement loan notes. The primary bank debt facility is a €300m revolving credit facility, with a syndicate of international banks, entered into in April 2012 and maturing in April 2017. The facility was undrawn at year end. The Group has two US Private Placement loan notes in issue and the total Private Placement debt outstanding is $400m. $158m of this matures in 2015, $42m matures in 2017 with the balance of $200m maturing in 2021. The weighted average maturity of debt facilities at year end was 4.9 years (December 2011: 4.0 years).

The Group has significant available undrawn facilities which provide appropriate headroom for potential development opportunities.

Net debt

Net debt decreased by €4.6m during 2012 to €165.5m (2011: €170.1m). This is analysed in the table below:

Movement in net debt	2012 €m	2011 €m
Free cashflow	106.6	76.9
Acquisitions (net of disposal proceeds)	(72.5)	(107.0)
Settlement of legal costs	(12.3)	-
Share issues	2.7	0.5
Dividends paid	(19.3)	(17.3)
Cashflow movement	5.2	(46.9)
Exchange movements on translation	(0.6)	(2.4)
Decrease/(increase) in net debt	4.6	(49.3)
Net debt at start of year	(170.1)	(120.8)
Net debt at end of year	(165.5)	(170.1)

Key financial covenants

The majority of Group borrowings are subject to primary financial covenants calculated in accordance with lenders' facility agreements:

- A maximum net debt to EBITDA ratio of 3.5 times; and
- A minimum net debt to net interest coverage of 4.0 times

The performance against these covenants in the current and comparative year is set out below:

	Covenant	2012 Times	2011 Times
Net debt/EBITDA	Maximum 3.5	1.12	1.3
EBITDA/Net interest	Minimum 4.0	10.0	10.2

Financial risk management

The Group operates a centralised treasury function governed by a treasury policy approved by the Group Board. Adherence to the policy is monitored by the CFO and the Internal Audit function. The Group does not engage in speculative trading of derivatives or related financial instruments.

Geoff Doherty
Chief Financial Officer

25 February 2013

PRINCIPAL RISKS & UNCERTAINTIES

RISK MANAGEMENT IS INTEGRAL TO KINGSPAN'S STRATEGY AND TO THE ACHIEVEMENT OF KINGSPAN'S LONG-TERM GOALS. OUR SUCCESS AS A GROUP DEPENDS ON OUR ABILITY TO IDENTIFY AND EXPLOIT THE OPPORTUNITIES GENERATED BY OUR BUSINESS AND THE MARKETS WE ARE IN. IN DOING THIS WE TAKE AN EMBEDDED APPROACH TO RISK MANAGEMENT WHICH PUTS RISK AND OPPORTUNITY ASSESSMENT AT THE CORE OF THE LEADERSHIP TEAM AGENDA.

The Group's divisions closely monitor market trends and risks on an on-going basis. These trends and risks are the focus of monthly management meetings where each business unit's performance is assessed versus budget, forecast and prior year; key performance indicators are also used to benchmark operational performance for all manufacturing sites. Such meetings are rotated around the different locations of each business unit and at least two executive directors are present. An annual assessment of trends and risks is also an integral part of each business unit's annual review of its strategic plan and budget, which are submitted to the Group Board for consideration and approval.
A combination of all of this, in what is a bottom up and top down approach, enables the Board to determine and assess the Group's risk environment.

This section describes the risk factors that are considered by the Directors to be material, their potential impact and the factors that mitigate them. However, these should not be considered as a complete and comprehensive statement of all potential risks and uncertainties. Additional risks and uncertainties that are not currently known to the Directors, or which they currently deem immaterial, may also have an adverse effect on the Group.

TELUS SPARK SCIENCE CENTER, CALGARY, CANADA / INSULATED PANELS

Risk Description	Potential Impact	Risk Mitigation
Volatility in the macro environment		
Kingspan 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 geographic market and is subject to the usual drivers of construction activity (e.g. general economic conditions and volatility, interest rates, business / consumer confidence levels, unemployment, population growth). While construction markets are inherently cyclical, changing building and environmental regulations continue to act as an underlying positive structural trend for demand for many of the Group's products.	Adverse effect on financial results.	The exposure to the cyclicality of any one construction market is partially mitigated by the Group's diversification, both geographically and by product and by the Group's portfolio of products which are heavily orientated towards sustainable and energy efficient construction to meet a growing demand for energy efficient buildings and income generating energy solutions. Group sales outside UK and Ireland have increased between 2000 and 2012 from €109m to €949m, representing 16% and 58% respectively of the Group's turnover.
Business interruption (including IT continuity)		
The Group can only carry on business as long as it has the information technology and the physical infrastructure to do so. The safe and continued operation of such systems and infrastructure is threatened by natural and man-made perils and is affected by the level of investment available to improve them.	Not taking advantage of the opportunities created by changes in technology. Business continuity interrupted and business performance impaired.	IT systems are constantly reviewed and updated to meet the needs of the Group. Procedures have been established for the protection of our technology assets. These include the development of business continuity plans, including IT disaster recovery plans and back-up delivery systems, to reduce business disruption in the event of a major technology failure. With 26 plants in the Panels division and 15 plants in the Boards division, one plant provides cover for another. This is further mitigated through consequential loss insurance and business continuity plans which are updated regularly.
Product failure		
A key risk to Kingspan's business is the potential for functional failure of products. The Kingspan brand is well established in our industry. It represents a key element of the Group's overall marketing and positioning. In the event that our brand or reputation is damaged as a result of a product failure, this could adversely impact the Group's performance.	Health, safety and security of our people or customers. Brand reputation and / or market share.	Dedicated structures and processes are in place to manage and monitor product quality controls throughout the business: - The majority of new products go through a certification process which is undertaken by a recognised and reputable authority (for example, in the UK it is the Building Research Establishment, BRE) before they are brought to market. - Our businesses employ quality control specialists and operate strict policies to ensure consistently high standards are maintained in addition to the sourcing and handling of raw materials.

PRINCIPAL RISKS & UNCERTAINTIES

Risk Description	Potential Impact	Risk Mitigation
Product failure (cont'd)		
		- Quality audits are undertaken at our manufacturing sites. - Documented and tested product recall procedures are embedded in all our businesses and regularly reviewed. - Effective training is delivered to our staff. - We proactively monitor the regulatory and legislative environment.
Failure to innovate		
Existing products may be replaced by substitute products which Kingspan does not produce or distribute leading to losses in market share and constraints in financial performance.	Kingspan's market position coming under pressure, lower top-line growth rates and profitability.	There is an on-going evaluation of our product portfolios in every market to ensure that they target current and future opportunities for profitable growth. This is further mitigated by continuing innovation and compelling marketing programmes. The Group has also a deep understanding of changing consumer and industry dynamics in its key markets, enabling Kingspan to respond appropriately to issues which may impact our business performance. In 2012 the Group spent €13.6m on research and development across over 40 projects.
Credit risk and credit control		
As part of the overall service package Kingspan provides credit to customers and as a result there is an associated risk that the customer may not be able to pay outstanding balances. At the year-end, the Group was carrying a receivables book of €292.5m expressed net of provision for default in payment. This represents a net risk of 18% of sales. Of these receivables approximately 65% were covered by credit insurance or other forms of collateral such as letter of credit and bank guarantees.	Adverse effects on financial results	Each business unit has established procedures and credit control policies around managing its receivables and takes action when necessary. Trade receivables are primarily managed by a sanction process backed up by credit insurance to the extent that it is available. All major outstanding and overdue balances together with significant potential exposures are reviewed regularly and concerns are discussed at monthly meetings at which the Group's executive directors are present. Control systems are in place to ensure that authorisation requests are supported with appropriate and sufficient documentation and are approved at appropriate levels in the organisation.

THE BOARD

Chairman

Eugene Murtagh *(Age 70)*
Eugene Murtagh is the non-executive Chairman of the Group.
Skills & experience: He founded the Kingspan business in the 1960's and as CEO until 2005 he led its growth and development to become an international market leader. He has an unrivalled understanding of the Group, its business and ethos, and brings to the Board his leadership and governance skills.

Executives

Gene M. Murtagh *(Age 41)*
Gene Murtagh is the Group Chief Executive Officer. He was appointed to the Board in November 1999.
Skills & experience: He was previously the Chief Operating Officer from 2003 to 2005. Prior to that he was managing director of the Group's Insulated Panel business and of the Environmental business. He joined the Group in 1993, and has a deep knowledge of all of the Group's businesses and the wider construction materials industry.

Geoff Doherty *(Age 41)*
Geoff Doherty is the Group Chief Financial Officer. He joined the Group, and was appointed to the Board, in January 2011.
Skills & experience: Prior to joining Kingspan he was the chief financial officer of Greencore Group plc, having previously worked in IWP International plc, PricewaterhouseCoopers and BDO Simpson Xavier accountants in Dublin. He is a qualified chartered accountant, with significant experience of financial management in an international manufacturing environment.

Russell Shiels *(Age 51)*
Russell Shiels is President of the Group's Access Floors and Insulated Panels businesses in North America. He was appointed to the Board in December 1996.
Skills & experience: He was previously managing director of the Group's Building Components and Raised Access Floors businesses in the UK. He has experience in many of the Group's key businesses, and brings to the Board his particular knowledge of the North American building envelope market, as well as his understanding of the office and data centre market globally.

Peter Wilson *(Age 56)*
Peter Wilson is Managing Director of the Group's Insulation Boards business. He was appointed to the Board in February 2003.
Skills & experience: He has been with the Group since 1981, has led the Insulation Boards division since 2001, and brings to the Board over 30 years' knowledge and experience of the global insulation industry.

Gilbert McCarthy *(Age 41)*
Gilbert McCarthy is Managing Director of the Group's Insulated Panels businesses in the UK, Ireland, Western Europe and Australia. He was appointed to the Board in September 2011.
Skills & experience: He has been with the Group for over 13 years, and was previously managing director of the Off-site division and general manager of the Insulation Boards business. He brings to the Board his extensive knowledge of the building envelope industry, in particular in Western Europe and Australasia.

Non-executives

Tony McArdle* *(Age 64)*
Tony McArdle joined the Board in June 2003. He is appointed as the Senior Independent Director.
Skills & experience: He was previously a director of Ulster Bank where he had been head of corporate banking and chief executive of retail banking as well as holding a number of other senior positions. He is a non-executive director of several large private companies, and he brings to the Board his wide ranging business and banking experience.

David Byrne* *(Age 65)*
David Byrne was appointed to the Board in January 2005.
Skills & experience: He served as EU Commissioner with responsibility for Health and Consumer Protection from 1999 to 2004. Prior to that, he served as Attorney General of Ireland from 1997 to 1999. Currently he is deputy chairman and senior independent director of DCC plc. He brings to the Board his considerable expertise in legal and risk oversight as well as his international experience.

Brian Hill* *(Age 68)*
B.E., C.Eng., M.Eng.Sc., M.B.A., F.I.Mech.E.,
Brian Hill joined the Board in June 2005.
Skills & experience: He was formerly a director of CRH plc where he was Head of the Europe Products & Distribution division. He was previously a non-executive director of Wavin NV. Throughout his career, he has gained tremendous knowledge and experience of the European construction industry.

Helen Kirkpatrick M.B.E.* *(Age 54)*
B.A., F.C.A.
Helen Kirkpatrick joined the board in June 2007.
Skills & experience: She is also a non-executive director of UTV Media plc and was formerly a non-executive director of the International Fund for Ireland, Enterprise Equity Venture Capital Group, Crumlin Together Ltd and NI-CO Ltd. She is a fellow of Chartered Accountants Ireland and is a member of the Chartered Institute of Marketing. She brings her considerable financial and business acumen to the Board and to the Audit Committee.

Kieran Murphy* *(Age 54)*
M.A., Dip Music
Kieran Murphy was appointed to the Board in March 2012.
Skills & experience: He is a partner in Gleacher Shacklock LLP, having previously been managing director corporate finance in Kleinwort Benson/Dresdner Kleinwort. He is currently a non-executive director of Aliaxis S.A. and an independent member of the Council of City University, London. During his career, he has gained particular expertise in the building and construction sector, including advising on several of Europe's landmark deals.

Secretary

Lorcan Dowd *(Age 44)*
Lorcan Dowd was appointed Group Company Secretary in July 2005.
Skills & experience: He qualified as a solicitor in 1992. Before joining the Group he was Director of Corporate Legal Services in PricewaterhouseCoopers in Belfast, having previously worked in private practice.

** Independent*

Membership of Board Committees and length of service on Committee

Acquisitions		Audit		Nominations		Remuneration	
Brian Hill* (chair)	6.0 years	Helen Kirkpatrick* (chair)	5.5 years	Eugene Murtagh (chair)	15.0 years	David Byrne* (chair)	6.0 years
Gene Murtagh	6.0 years	Tony McArdle*	9.5 years	Gene Murtagh	6.0 years	Brian Hill*	6.0 years
Geoff Doherty	2.0 years	David Byrne*	7.5 years	Tony McArdle*	9.5 years	Helen Kirkpatrick*	4.0 years
Tony McArdle*	6.0 years	Brian Hill*	4.0 years	David Byrne*	4.0 years		
Kieran Murphy*	1.0 year			Helen Kirkpatrick*	4.0 years		

REPORT OF THE DIRECTORS

THE DIRECTORS HAVE PLEASURE IN PRESENTING THEIR REPORT WITH THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012.

Principal activities

Kingspan is a leading provider of low energy building solutions. Kingspan Group plc is a holding company for the Group's subsidiaries and other entities. The Group's principal activities comprise the manufacture of insulated panels, rigid insulation boards, architectural facades, raised access floors, engineered timber systems, environmental management systems, sustainable water and renewable energy solutions.

Results and dividends

Group turnover for the year ended 31 December 2012 was €1.63bn (2011: €1.55bn), trading profit was €107.7m (2011: €95.7m), and earnings per share were 43.8 cent (2011: 37.1 cent).

An interim dividend of 5.0 cent per share was paid to shareholders on 21 September 2012 (2011: 4.5 cent). The Directors are recommending a final dividend of 7.25 cent per share for the year ended 31 December 2012 (2011: 6.5 cent), giving a total dividend for the year of 12.25 cent (2011: 11.0 cent). The final dividend if approved at the Annual General Meeting will be paid on 16 May 2013 to shareholders on the register at close of business on 26 April 2013.

The Group's key financial performance indicators are set out in the Financial Review, and the financial statements for the year ended 31 December 2012 are set out in detail in this Annual Report. Other non-financial performance indicators relating to the environment, waste management and employee health and safety are referred to in the Corporate Social Responsibility section in this Annual Report.

Accounting records

The Directors are responsible for ensuring that proper books and accounting records, as outlined in Section 202 of the Companies Act 1990, are kept by the Group. The Directors have provided appropriate systems and resources, including the appointment of suitably qualified accounting personnel, to maintain proper books and accounting records throughout the Group, in order to ensure that the requirements of Section 202 are complied with. The books and accounting records of the Group are maintained at the principal executive offices located at Dublin Road, Kingscourt, Co. Cavan.

Business review

The Chief Executive's Review and the Financial Review together set out management's review of the Group's business during 2012. The key points include:

- Revenue up 5% to €1.63bn, down 1% excluding the impact of acquisitions;
- Trading profit up 13% to €107.7m, an increase of 12% excluding the impact of acquisitions;
- Group trading margin of 6.6%, an increase of 40bps. Underlying trading margin before the impact of acquisitions increased by 70bps;
- Basic EPS up 18.1% to 43.8 cent;
- A decrease in net debt to €165.5m (2011: €170.1m), and free cashflow up 39% to €106.6m;
- A solid overall performance in Insulated Panels, with sales revenue up 11%, particularly strong in Germany, Canada and Australia;
- A robust performance in Insulation Boards, where revenues were up 2%, stable in the UK, and slightly up in Continental Europe;
- A relatively positive year for Access Floors, with continued stability of datacentre related construction leading to revenues up 22%;
- Tough trading conditions in Environmental, where revenue was down 19% in a year of tight markets and internal consolidation;
- The acquisition of the German based ThyssenKrupp Construction Group and the UAE based Rigidal Industries LLC in August, for a combined initial cash consideration of €61.6m;
- Successful refinancing of a five year €300m syndicated bank facility in April 2012 extending the weighted average maturity of the Group's debt facilities at year end to 4.9 years.

Business model and strategy

The Group's strategic focus is to pursue a broadening geographic footprint of sustainable building solutions, with market leading positions in regions where energy conservation and creative aesthetics are the priority. In support of this goal, significant internal resources and emphasis have been placed on nurturing a continuous flow of new and leading edge products and solutions to our markets, produced in the most highly efficient manufacturing environment possible. The Group's strategic goals include:

- To lead the field in high performance insulation globally, through greater emphasis of proprietary and differentiating technologies:
  - Kingspan IPN core;
  - Kooltherm®;
  - Optim-R®, Next Generation Insulation;
  - Benchmark® Architectural.
- To become the world's leading provider of low energy building solutions, through (inter alia):
  - The 'Insulate & Generate' plus 'EnvelopeFirst' concepts;
  - PowerPanel®;
  - Fabric & Renewables.
- To achieve greater geographic balance.
- To achieve an average annual return on investment of circa 15%.

The Group's three core pillars to deliver these strategic objectives are:

- Conversion from traditional insulation and building techniques;
- Innovating within our space to consistently maintain a competitive gap over our peers;
- Broadening our geography, with primary focus on mainland Europe, the Americas, Gulf & Middle East and Australasia.

Principal risks and uncertainties

The principal risks and uncertainties facing the Group's business are as detailed in this Annual Report. The principal risks are:

- Volatility in the macro environment;
- Business interruption (including IT continuity);
- Product failure;
- Failure to innovate;
- Credit risks and credit control.

Research & development

The Group places considerable emphasis on research and development of existing and new products and on the improvement of the production process, focused primarily on extending competitive advantage. In the year ended 31 December 2012, the Group's research and development expenditure amounted to €13.6m (2011: €12.2m). Research and development expenditure is generally written off in the year in which it is incurred. During 2012 Kingspan's continuing investment in research and development involved over 40 projects ranging from evolutionary chemical and structural improvements in our product offering, to more fundamental changes in materials and building envelope solutions. Key projects included next generation insulation, integrated solar PowerPanel, microwind, and new access floor product ranges.

Corporate governance

The Directors are committed to achieving the highest standards of corporate governance. A statement describing how Kingspan has applied the principles of good governance set out in the UK Corporate Governance Code (June 2010) and the Irish Corporate Governance Annex is included in this Annual Report.

Corporate Social Responsibility

Kingspan recognises the importance of conducting its business in a socially responsible manner. The Corporate Social Responsibility section in this Annual Report gives details of many of the projects that are on-going across the Group, with further details available on the Group's website www.kingspan.com.

Directors and secretary

The Directors and secretary of the Company at the date of this report are as shown in this Annual Report. Kieran Murphy was appointed as a non-executive director with effect from 1 March 2012, and Danny Kitchen retired as a non-executive director on the 10 May 2012. Tony McArdle has announced his intention to retire as a non-executive director at the conclusion of this year's Annual General Meeting on 9 May 2013.

Directors' & secretary's interests in shares

The beneficial interests of the Directors and secretary and their spouses and minor children in the shares of the Company at the end of the financial year are as follows:

	31 Dec. 2012	31 Dec. 2011
Eugene Murtagh	30,000,000	35,120,000
Gene M. Murtagh	1,128,103	1,128,103
Geoff Doherty	150,000	150,000
Russell Shiels	353,307	353,307
Peter Wilson	232,498	232,498
Gilbert McCarthy	167,129	130,329
Tony McArdle	35,000	35,000
Helen Kirkpatrick	26,000	26,000
Brian Hill	11,000	11,000
David Byrne	3,000	3,000
Kieran Murphy*	0	0
Lorcan Dowd (secretary)	3,966	3,384
	32,110,003	37,192,621

* appointed 01/03/2012

Details of the Directors' and secretary's share options at the end of the financial year are set out in the report of the Remuneration Committee. As at the 25 February 2013, there had been no changes in the Directors' and secretary's interests in shares since the 31 December 2012.

Conflicts of interest

Save as set out in this Annual Report, none of the Directors has any direct or indirect interest in any contract or arrangement subsisting at the date hereof which is significant in relation to the business of the Company or any of its subsidiaries nor in the share capital of the Company or any of its subsidiaries.

The European Communities (Takeover Bids (Directive 2004/25/EC)) Regulations 2006

The information required by Regulation 21 of the above Regulations as at 31 December 2012 is set out below.

Structure of the Company's share capital
At 31 December 2012, the Company's total authorised share capital comprised 220,000,000 ordinary shares of €0.13 each ("Ordinary Shares") and the Company's total issued share capital comprised 173,403,075 Ordinary Shares, of which the Company held 4,938,257 Ordinary Shares in treasury (2.8% of the issued share capital). The Company has no securities in issue conferring special rights with regard to control of the Company.

REPORT OF THE DIRECTORS

The Directors have been notified of the following substantial holdings of Ordinary Shares:

Notification Date	Institution	Shares held	%
06.07.12	Generation Investment Management LLP	20,078,232	11.98%
14.03.12	Prudential plc	12,000,000	7.18%
16.05.12	Investec Asset Management	11,752,784	7.01%
03.10.12	Governance for Owners LLP	8,211,194	4.88%
07.03.13	BlackRock Inc.	6,890,321	4.09%
16.10.12	Invesco Limited	6,713,754	3.99%

Shareholding analysis as at 31 December 2012:

Shareholding range	Number of accounts	% of total	Number of shares held	% of total
1 – 1,000	2,949	58.42	1,448,740	0.84
1,001 - 10,000	1,759	34.85	5,263,490	3.04
10,001 - 100,000	235	4.66	6,977,905	4.02
100,001 - 1,000,000	79	1.56	25,224,945	14.55
Over 1,000,000	26	0.52	134,487,995	77.56
	5,048	**100**	**173,403,075**	**100**

Rights and obligations attaching to the Ordinary Shares
All Ordinary Shares rank pari passu, and the rights attaching to the Ordinary Shares (including as to voting and transfer) are as set out in the Company's Articles of Association ('Articles'). A copy of the Articles may be found on www.kingspan.com or may be obtained on request to the Company Secretary.

Holders of Ordinary Shares are entitled to receive duly declared dividends in cash or, when offered, additional Ordinary Shares. In the event of any surplus arising on the occasion of the liquidation of the Company, shareholders would be entitled to a share in that surplus pro rata to their holdings of Ordinary Shares.

Holders of Ordinary Shares are entitled to receive notice of and to attend, speak and vote in person or by proxy, at general meetings having, on a show of hands, one vote, and, on a poll, one vote for each Ordinary Share held. Procedures and deadlines for entitlement to exercise, and exercise of, voting rights are specified in the notice convening the general meeting in question. There are no restrictions on voting rights except in the circumstances where a 'Specified Event' (as defined in the Articles)shall have occurred and the Directors have served a Restriction Notice on the shareholder. Upon the service of such Restriction Notice, no holder of the shares specified in the notice shall, for so long as such notice shall remain in force, be entitled to attend or vote at any general meeting, either personally or by proxy.

Holding and transfer of Ordinary Shares
The Ordinary Shares may be held in either certificated or uncertificated form (through CREST).

Save as set out below, there is no requirement to obtain the approval of the Company, or of other shareholders, for a transfer of Ordinary Shares. The Directors may decline to register (a) any transfer of a partly-paid share to a person of whom they do not approve, (b) any transfer of a share to more than four joint holders, (c) any transfer of a share on which the Company has a lien, and (d) any transfer of a certificated share unless accompanied by the share certificate and such other evidence of title as may reasonably be required. The registration of transfers of shares may be suspended at such times and for such periods (not exceeding 30 days in each year) as the Directors may determine.

Transfer instruments for certificated shares are executed by or on behalf of the transferor and, in cases where the share is not fully paid, by or on behalf of the transferee. Transfers of uncertificated shares may be effected by means of a relevant system in the manner provided for in the Companies Act, 1990 (Uncertificated Securities) Regulations, 1996 (the 'CREST Regulations') and the rules of the relevant system. The Directors may refuse to register a transfer of uncertificated shares only in such circumstances as may be permitted or required by the CREST Regulations.

Rules concerning the appointment and replacement of the Directors and amendment of the Company's Articles
Unless otherwise determined by ordinary resolution of the Company, the number of Directors shall not be less than two or more than 15.

Subject to that limit, the shareholders in general meeting may appoint any person to be a Director either to fill a vacancy or as an additional Director. The Directors also have the power to co-opt additional persons as Directors, but any Director so co-opted is under the Articles required to be submitted to shareholders for re-election at the first annual general meeting following his or her co-option.

The Articles require that at each annual general meeting of the Company one-third of the Directors retire by rotation. However, in accordance with the recommendations of the UK Corporate Governance Code, the Directors have resolved they will all retire and submit themselves for re-election by the shareholders at the Annual General Meeting to be held on 9 May 2013.

The Company's Articles may be amended by special resolution (75% majority of votes cast) passed at general meeting.

Powers of Directors including powers in relation to issuing or buying back by the company of its shares
Under its Articles, the business of the Company shall be managed by the Directors, who exercise all powers of the Company as are not, by the Companies Acts or the Articles, required to be exercised by the Company in general meeting.

The Directors are currently authorised to issue a number of shares equal to the authorised but as yet unissued share capital of the Company on such terms as they may consider to be in the best interests of the Company, under an authority that was conferred on them at the Annual General Meeting held on 10 May 2012. The Directors are also currently authorised on the issue of new equity for cash to disapply the strict statutory pre-emption provisions that would otherwise apply, provided that the disapplication is limited to the allotment of equity securities in connection with any rights issue or any open offer to shareholders, or the allotment of shares not exceeding in aggregate 5% of the nominal value of the Company's issued share capital. Both these authorities expire on 9 May 2013 unless renewed and resolutions to that effect are being proposed at the Annual General Meeting to be held on 9 May 2013.

The Company may, subject to the Companies Acts and the Articles, purchase any of its shares and may either cancel or hold in treasury any shares so purchased, and may re-issue any such treasury shares on such terms and conditions as may be determined by the Directors. The Company shall not make market purchases of its own shares unless such purchases have been authorised by a special resolution passed by the members of the Company at a general meeting. At the Annual General Meeting held on 10 May 2012, shareholders passed a resolution giving the Company, or any of its subsidiaries, the authority to purchase up to 10% of the Company's issued Ordinary Shares. At the Annual General Meeting to be held on 9 May 2013, shareholders are being asked to renew this authority.

Miscellaneous
There are no agreements between shareholders that are known to the Company which may result in restrictions on the transfer of securities or voting rights.

Certain of the Group's banking facilities include provisions that, in the event of a change of control of the Company, could oblige early prepayment of the facilities. Certain of the Group's joint venture arrangements also contain provisions that would allow the counterparty to terminate the agreement in the event of a change of control of the Company. The Company's Standard Share Option Scheme and Performance Share Plan each contain change of control provisions which allow for the acceleration of the exercise of share options/awards in the event of a change of control of the Company.

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid.

Political donations
Neither the Company nor any of its subsidiaries have made any political donations in the year which would be required to be disclosed under the Electoral Act 1997.

Subsidiary companies
The Group operates from 59 manufacturing sites, and has operations in over 70 countries worldwide.

The Company's principal subsidiary undertakings at 31 December 2012, country of incorporation and nature of business are listed in Note 36 of the financial statements.

Financial instruments
The Group's policy for managing exposure to financial instruments is set out in Note 21 of the financial statements.

Outlook
The Board fully endorses the outlook ('Looking Ahead') expressed in the Chief Executive's Review.

Significant events since year end
There have been no significant events since the year end.

Going concern
The Directors have reviewed budgets and projected cash flows for a period of not less than 12 months from the date of this Annual Report, and considered its net debt position, available committed banking facilities and other relevant information including the economic conditions currently affecting the building environment generally. On the basis of this review the Directors have concluded that there are no material uncertainties that would cast significant doubt over the Company's and the Group's ability to continue as a going concern. For this reason, the Directors consider it appropriate to adopt the going concern basis in preparing the financial statements

Auditors
In accordance with Section 160(2) of the Companies Act 1963 the Company's auditors, KPMG, Chartered Accountants, will continue in office. A resolution authorising the Directors to determine their remuneration will be proposed at the Annual General Meeting.

On behalf of the Board

Gene M. Murtagh,
Chief Executive Officer

Geoff Doherty,
Chief Financial Officer

25 February 2013

REPORT OF THE REMUNERATION COMMITTEE

COMPOSITION OF THE REMUNERATION COMMITTEE

RESPONSIBILITY FOR DETERMINING THE LEVELS OF REMUNERATION OF THE EXECUTIVE DIRECTORS HAS BEEN DELEGATED BY THE BOARD TO THE REMUNERATION COMMITTEE. THE TERMS OF REFERENCE OF THE REMUNERATION COMMITTEE ARE AVAILABLE FOR INSPECTION ON THE COMPANY'S WEBSITE WWW.KINGSPAN.COM.

Membership of the Remuneration Committee comprises three non-executive directors, David Byrne (committee chairman), Brian Hill and Helen Kirkpatrick. Danny Kitchen retired from the committee on 10 May 2012.

The Remuneration Committee met 3 times during the year. The Chief Executive was invited to attend committee meetings when deemed appropriate.
The Remuneration Committee obtained independent advice when necessary from independent external consultants, Mercer, on remuneration matters.

Responsibilities of the Remuneration Committee

The principal terms of reference of the Remuneration Committee are:

- to establish the remuneration policy applicable to the executive directors to encourage an enhanced performance, and reward individuals for their contribution to the success of the Group;
- to agree annually the remuneration package for each of the executive directors, including bonuses and other incentive arrangements;
- to agree a reference group of peer organisations against whom to benchmark the nature and level of executive remuneration on an on-going basis;
- to approve the grant of share options/awards to executive directors;
- to determine the policy and scope of pension arrangements for the executive directors;
- to set performance objectives for the Chief Executive and other executive directors;
- to report to shareholders on the committee's work and compliance with the UK Corporate Governance Code (June 2010) and the Irish Corporate Governance Annex.

Policy on remuneration of Executive Directors

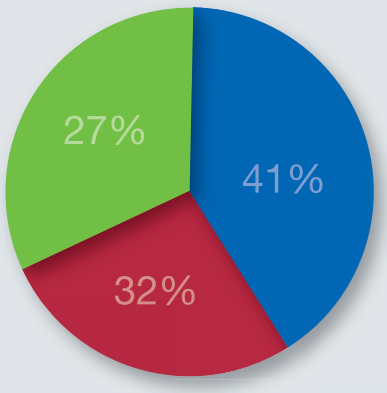
The primary objective of the Remuneration Committee is to ensure that the remuneration policy attracts, retains and motivates the executive directors, and links rewards to corporate and individual performance and enhanced shareholder value. The committee considers it essential that there is alignment between executive remuneration and the Kingspan Group strategy.

In setting remuneration levels the Remuneration Committee aims to ensure that the executive directors' total remuneration package supports achievement of the Group strategy whilst taking into consideration the market rates and practices of other quoted Irish and industry peer companies of similar size and scope.

The bonus and share option incentives are designed to provide rewards for achieving objectives that will increase shareholder value. The Remuneration Committee considers that a significant proportion of the executive directors' total package is linked to corporate and individual performance.

The Remuneration Committee recognises that share ownership is important in aligning the interests of management with those of shareholders. Details of the executive directors' share options are set out below, and details of the executive directors' interests in shares are set out elsewhere in this Annual Report.

EXECUTIVE DIRECTORS' REMUNERATION MIX*



- *Fixed base salary*
- *Performance related incentive short term*
- *Performance related incentive long term*

* Refers to executive directors as at 31/12/12

2012 Activities of the Remuneration Committee

In November each year the Remuneration Committee carries out a review of each of the executive directors' remuneration package, having regard to the Group's overall performance, the executive directors' personal performance and competitive market practice. Any changes in salary are effective from 1 January.

In 2012 the committee engaged Mercers, a leading firm of independent consultants, to carry out a benchmark report of the executive directors' basic and total remuneration packages. The committee considered that, as a globally based building materials group, the appropriate comparator should be similar sized companies in the industry peer group referenced in the Performance Share Plan, but having cognizance also of other Irish plcs.

The various elements of the 2013 remuneration package for each of the executive directors as approved by the committee comprise the following:

- **Basic salary.** The committee reviewed the base salary of each of the executive directors having regard to the Group's performance, the independent benchmark report and macro-economic conditions more generally, and where apposite the committee made appropriate merit adjustments. During the year, the committee approved an increase in base salary for Gilbert McCarthy for the year 2013, in the light of the substantial growth in and increased geographic spread of his role following the ThyssenKrupp Construction Group acquisition. In the case of the other executive directors, the committee agreed that there would be no increase in the base salaries of the Chief Executive and the Chief Financial Officer having regard to continuing macro uncertainties (and which in the case of the CEO have remained frozen at 2008 levels) and agreed only inflation-linked increases for the other divisional Managing Directors which reflected general employee increases in their respective divisions.
- **Benefits.** In addition to their base salaries, executive directors' benefits include health insurance and the use by the executive directors of company cars (or a taxable car allowance), in line with typical market practice.
- **Performance related bonus.** Executive directors receive bonus payments of up to 100% of base salary based on the attainment of stretching annual performance targets set at the start of each year by the Remuneration Committee, with bonuses paid on a sliding scale if the targets are met. The committee reviewed the extent to which the 2012 bonus targets had been achieved by each of the executives, and details of the bonus earned by each director during 2012 are set out in the remuneration summary below. Payment of any bonus is deferred until March of the following year when the financial statements are approved, which the committee considers is an appropriate deferral period in a manufacturing environment. For 2013, the committee selected performance targets which were a combination of Group EPS growth and divisional profit targets, with maximum bonus being paid on the achievement of 120% of target.
- **Pension scheme.** The Group operates a defined contribution pension scheme for executive directors. Pension contributions are calculated on base salary only. Contributions are determined on an individual basis and take into account a number of factors including age, length of service, and number of years to retirement.
- **Share options.** Executive directors are entitled to participate in the Group Performance Share Plan (PSP), details of which are set out below. Participation in the PSP is subject to individual award limits which were approved by shareholders, and comply with IAIM guidelines. Details of the number of PSP Awards granted to each executive director during 2012 are set out in the share option table below. During the year the committee reviewed the extent to which the vesting targets in respect of the 2009 PSP Awards had been met, and determined the proportion which vested or lapsed accordingly.

Service contracts

No director has a service contract or notice periods in excess of one year.

Non-executive directors

The non-executive directors each receive a fee which is set by the Remuneration Committee and approved by the Chairman on advice from the independent professional advisors, and reflects the time commitment involved in the performance of their duties. The non-executive directors do not have service contracts and do not participate in any bonus or share option schemes. The non-executive directors do not receive any pension or other benefits apart from Mr Eugene Murtagh in respect of whom the Group paid a contribution to his personal pension scheme.

During the year, the committee obtained advice from Mercer relating to the structure and level of the non-executive director fees, and considered proposals to change the fee structure for 2013 to reflect the additional responsibilities of committee chairmen and of the Senior Independent Director.

REPORT OF THE REMUNERATION COMMITTEE

Remuneration summary for 2012

Executive directors	Basic Salary €'000	Benefit in kind and other allowances[1] €'000	Performance related bonus €'000	Pension contributions[2] €'000	2012 Total €'000	2011 Total €'000
Gene M. Murtagh	635	26	595	127	1,383	1,390
Geoff Doherty	490	26	459	123	1,098	1,131
Russell Shiels[3]	350	32	341	130	853	729
Peter Wilson[3]	357	15	134	168	674	696
Gilbert McCarthy	300	5	123	60	488	541
Dermot Mulvihill[4]	-	-	-	-	-	1,106
Noel Crowe[5]	-	-	-	-	-	781
	2,132	104	1,652	608	4,496	6,374
Charge to Consolidated Income Statement for share options and awards					1,413	3,053
					5,909	9,427

Non-executive directors	2012 Fees €'000	2012 Pension €'000	2011 Fees €'000	2011 Pension €'000
Eugene Murtagh[6]	191	143	191	143
Tony McArdle	75	-	70	-
David Byrne	75	-	70	-
Brian Hill	75	-	70	-
Helen Kirkpatrick	75	-	70	-
Kieran Murphy[7]	63	-	-	-
Danny Kitchen[8]	27	-	70	-
	581	143	541	143

1 Benefits relate to health insurance premiums and company cars/car allowances.

2 All executive directors participate in defined contribution pension schemes. Certain executives have elected to receive part of their prospective pension entitlement as a taxable non-pensionable cash allowance in lieu of the pension benefit foregone, at an equivalent overall cost to the Company.

3 Russell Shiels' remuneration has been converted to Euro at the following rate USD: 1.286 (2011: 1.394).
Peter Wilson's remuneration has been converted to Euro at the following rate STG: 0.8113 (2011: 0.868).

4 Dermot Mulvihill retired as a director on 12 May 2011.

5 Noel Crowe resigned as a director on 31 August 2011.

6 Pension contributions to Eugene Murtagh ceased on his attaining age 70.

7 Kieran Murphy was appointed as a non-executive director on 1 March 2012.

8 Danny Kitchen retired as a non-executive director on 10 May 2012.

Performance Share Plan

The Performance Share Plan (PSP), approved by shareholders in May 2008, rewards the performance of managers and the executive directors based on the overall performance of the Group, thus aligning the interests of management and executive directors with the interests of shareholders. Under the terms of the PSP, performance shares are awarded to the executive directors and the senior management team. The performance shares will vest after three years only if certain performance criteria are achieved over the vesting period. These conditions are:

- Up to 50% of the award will vest (on a sliding scale) on achievement of average EPS growth of between CPI plus 3.5% (below which no performance shares will vest) and CPI plus 7% (where all will vest);
- Up to 50% of the award will vest (on a sliding scale) on achievement of total shareholder return (TSR) compared to a selected peer group, where no performance shares vest if performance is below the median and 50% vest if performance is at or above 75th percentile point, compared with the selected peer group.
- A further Exceptional Performance Award (not exceeding 25% of any individual's total award) can be awarded which only vests (on a sliding scale) if the Group's TSR ranking is above the 75th percentile point compared with the selected peer group.

During the year the committee considered the appropriateness of these performance conditions, and determined them to be sufficiently stretching in the current market environment.

The maximum value of any PSP Award may not, at the date of grant, in the case of the Chief Executive exceed 125% of base salary, and in the case of other employees exceed such lower percentage as may be determined by the Remuneration Committee. The percentage of share capital which can be issued under the PSP complies with IAIM guidelines, and may not, when aggregated with all other options or awards granted over the preceding 10 year period, exceed 10% of the issued share capital of the Company (or 3% over 3 years).

The TSR peer group selected for the PSP comprises the following companies:
Compagnie de Saint Gobain
CRH Plc
Dyckerhoff AG
Geberit AG
Grafton Group Plc
Lafarge SA
Marshalls Plc
Martin Marietta Materials Inc
Rockwool Intl. A/S
SA Des Ciments Vicat
SIG Plc
Travis Perkins Plc
Uponor Corp
Uralita SA
Wienerberger AG

During the year, the committee reviewed the TSR peer group and determined that one of the original constituent members, Wavin NV, should be replaced. The committee decided that the replacement company should be in the North American building materials sector, and the committee selected Martin Marietta Materials Inc as an appropriate replacement.

During the first cycle of PSP Awards from 2009 to 2011, Kingspan was ranked second in its peer group, and during the second cycle of PSP Awards from 2010 to 2012, Kingspan was ranked first in its peer group.

Standard Share Option Scheme

Since May 2008, no more options can be awarded under the Standard Share Option Scheme, but options awarded before that date which have vested can be exercised up to ten years after the date of grant. Such options vested only when earnings per share growth in the three year period commencing with the accounting period in which the options were granted (or any subsequent period), exceeded CPI by at least 2% per annum compound. Grants of options under the Standard Share Option Scheme were awarded at the market price of the Company's shares at the time of the grant. Over the life of the Standard Share Option Scheme the total number of options granted, net of options lapsed, amounted to 3.60% of the issued share capital of the Company. Details of options granted to the executive directors under the Standard Share Option Scheme which remain exercisable are set out in the table later in this Remuneration Report.

REPORT OF THE REMUNERATION COMMITTEE

Details of share options granted to the directors and secretary under the Performance Share Plan and the Standard Share Option Scheme are as follows:

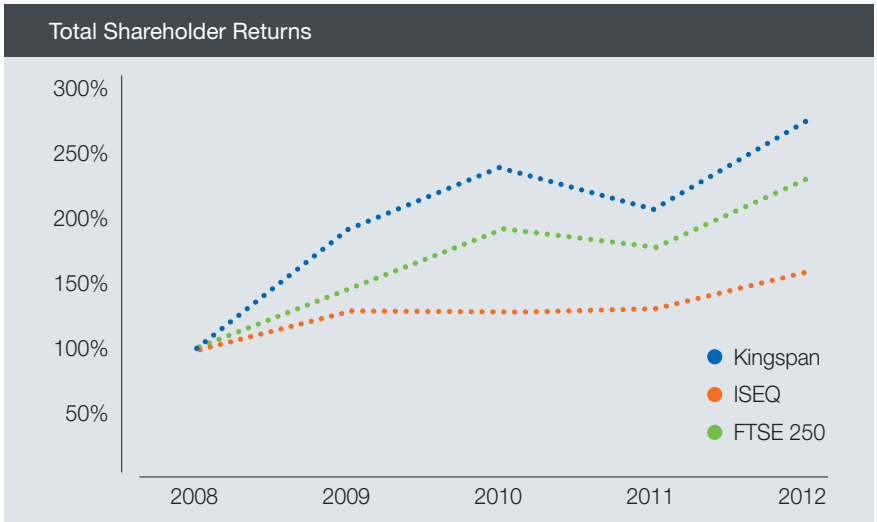
Director	At 31 Dec 2011	Granted during year	Exercised or lapsed during year	At 31 Dec 2012	Option price €cent	Average option price €cent	Earliest exercise date	Latest expiry date
Gene M. Murtagh								
Standard Share	200,000			200,000	565		23/09/2007	23/09/2014
Option Scheme	36,195			36,195	1090		05/09/2008	05/09/2015
	48,115			48,115	1418		05/09/2009	05/09/2016
	284,310			**284,310**		776		
Performance	73,604	19,720	(5,000)	88,324	13		27/03/2012	02/03/2019
Share Plan	343,214	78,882		422,096	13		27/03/2012	02/03/2019
	416,818	**98,602**	**(5,000)[1]**	**510,420**	13	13		
Geoff Doherty								
Performance Share Plan	**56,000**	**46,584**		**102,584**	13	13	01/03/2014	01/03/2019
Russell Shiels								
Standard Share	50,000			50,000	565		23/09/2007	23/09/2014
Option Scheme	22,571			22,571	1090		05/09/2008	05/09/2015
	15,562			15,562	1418		05/09/2009	05/09/2016
	88,133			**88,133**		850		
Performance Share Plan	**147,400**	**46,584**	**(64,400)[2]**	**129,584**	13	13	27/03/2012	02/03/2019
Peter Wilson								
Standard Share	97,014			97,014	565		23/09/2007	23/09/2014
Option Scheme	11,884			11,884	1090		05/09/2008	05/09/2015
	20,462			20,462	1418		05/09/2009	05/09/2016
	129,360			**129,360**		748		
Performance Share Plan	**147,400**	**46,584**		**193,984**	13	13	27/03/2012	02/03/2019
Gilbert McCarthy								
Standard Share	10,000			10,000	330		18/09/2006	18/09/2013
Option Scheme	20,000			20,000	565		23/09/2007	23/09/2014
	15,277			15,277	1090		05/09/2008	05/09/2015
	25,000			25,000	1418		05/09/2009	05/09/2016
	70,277			**70,277**		949		
Performance Share Plan	**104,800**	**46,584**	**(36,800)[3]**	**114,584**	13	13	27/03/2012	02/03/2019
Company Secretary								
Lorcan Dowd								
Standard Share	7,638			7,638	1090		05/09/2008	05/09/2015
Option Scheme	10,000			10,000	1418		05/09/2009	05/09/2016
	17,638			**17,638**		1276		
Performance Share Plan	**56,600**	**11,180**	**(27,600)[4]**	**40,180**	13	13	27/03/2012	02/03/2019

1 Lapsed on 27/03/2012
2 Exercised on 06/09/2012 (market price per share at date of exercise €8.00)
3 Exercised on 29/06/2012 (market price per share at date of exercise €6.40)
4 Exercised on 17/09/2012 (market price per share at date of exercise €8.20)

The closing price for Kingspan's shares on 31 December 2012 was €8.32, and the company's shares traded between the range of €6.26 and €8.50 during the year.

Performance graph

This graph shows the Company's TSR performance against the performance of the ISEQ and the FTSE 250 Indices over the five-year period to 31 December 2012.



Say on pay

In accordance with Kingspan's commitment to best practice corporate governance and shareholder engagement, the Board, on the recommendation of the Remuneration Committee, will put this report of the Remuneration Committee to an advisory vote at the forthcoming Annual General Meeting of the Company.

Compliance

This report has been prepared having regard to the provisions of Section B of the UK Corporate Governance Code (June 2010) as enhanced by the Irish Corporate Governance Annex.

David Byrne
Chairman, Remuneration Committee

REPORT OF THE AUDIT COMMITTEE

COMPOSITION OF THE AUDIT COMMITTEE

THE BOARD HAS ESTABLISHED AN AUDIT COMMITTEE, THE TERMS OF REFERENCE OF WHICH ARE AVAILABLE FOR INSPECTION ON THE COMPANY'S WEBSITE WWW.KINGSPAN.COM.

The Audit Committee comprises four independent non-executive directors, Helen Kirkpatrick B.A., F.C.A. (chairman), Tony McArdle, David Byrne and Brian Hill. Danny Kitchen retired from the committee on 10 May 2012. The Board has determined that the chairman of the committee, Helen Kirkpatrick, has appropriate recent and relevant financial experience. The Board considers that the committee as a whole has an appropriate and experienced blend of commercial, financial, and industry expertise to enable it to fulfil its duties.

The committee met four times during the year. Each committee meeting was attended by the Group Chief Financial Officer, the Group Financial Controller, and the Head of Internal Audit. The external auditors also attended these meetings as required. The chairman of the Audit Committee also met with both the Head of Internal Audit and the external audit lead partner outside of committee meetings as required throughout the year.

Responsibilities of the Audit Committee

The main responsibilities of the Audit Committee include:

- Monitoring the integrity of the Group's Financial Statements and reviewing significant financial reporting judgements contained in them;
- Reviewing the Group's internal controls and risk management systems;
- Monitoring and reviewing the effectiveness of the Group's internal audit function;
- Making recommendations to the Board in relation to the re-appointment or, if considered appropriate, removal of the external auditors and approving the remuneration and terms of engagement of the external auditors;
- Monitoring the independence and objectivity of the external auditors and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements;
- Determining policy for the engagement of the external auditors to supply non-audit services;
- Reporting to the Board, identifying any matters in respect of which it considers that action is needed and making recommendations as to the steps to be taken.

2012 Activities of the Audit Committee

During the year, the committee discharged its responsibilities in the following manner:

Integrity of the financial statements
The committee reviewed, prior to recommending their publication to the Board, the preliminary statement of annual results for the year ended 31 December 2011. In undertaking this review, the committee discussed with management and the external auditors the critical accounting policies and judgements that had been applied. The committee compared the results with management accounts and budgets, and reviewed reconciliations between these and the final results. It discussed a report from the external auditors at that meeting identifying the significant accounting and judgemental issues that arose in the course of the audit, and it considered the management letter for any non-standard issues and monitored action taken by management as a result of any audit recommendations. Key issues addressed by the committee included a review of fair value on acquisition, the carrying amount of goodwill and intangible assets, litigation and warranty provisions, hedge accounting treatments and other treasury matters and tax matters.

The committee also reviewed prior to their release, the 2012 half-year results and compared the results with management accounts and budgets, focusing on financial controls and the internal control environment, and key areas of judgement.

It reviewed the appropriateness of Group accounting policies and monitored changes to and compliance with accounting standards on an on-going basis.

External auditors
In 2011 the committee put the external audit contract out to tender, as a result of which KPMG was appointed. Following completion of the 2011 year-end audit, the committee carried out a review of the effectiveness of the external auditors and the audit process. The review was based on an internal questionnaire which assessed the external audit quality against several performance criteria with particular focus on robustness of the audit process, understanding of the business, quality of delivery, skills and expertise of the people and service, and value-added advice. The review included discussions with both Group management and feedback provided by divisional management. The committee will continue to monitor the performance and objectivity of the external auditors on an annual basis, and take this into account when making its recommendations to the Board in relation to the re-appointment (or otherwise) of the external auditors.

Prior to commencement of the 2012 year-end audit and half-year review, the committee approved the external auditors' work plan and resources, and agreed with the auditors various key areas of focus, including accounting for acquisitions, restructuring costs and warranty provisions, as well as a granular focus on certain higher risk jurisdictions.

During the year the committee met with the external auditors without management being present. This meeting provided the opportunity for direct dialogue and feedback between the committee and the auditors, where they discussed inter alia some of the key audit management letter points.

The committee obtained confirmation from the external auditors that in their professional judgement they are independent from the Group.
The committee ensured that the independence of the external audit was not compromised by obtaining an account of all relationships between the external auditors and the Group, and by reviewing the economic importance of the Group to the external auditors by monitoring the audit fees as a percentage of total income generated from the relationship with the Group. During the year the committee reviewed and updated its policy on the provision of non-audit services by the external auditors. This policy seeks to ensure that the services provided by the external auditors are not, or are not perceived to be, in conflict with auditor independence. The policy provides that fees for non-audit services performed by the external auditors should not exceed 50% of the audit fee in any year. In 2012 the total tees paid to the external auditor were €1.9m, of which 27% was for non-audit work (see Financial Statements – Note 6).

Internal audit
In early 2012 the committee approved the appointment of a new Head of Internal Audit to fill the role which had become vacant. The appointment was made after a pool of suitably qualified and experienced external candidates was identified using professional recruitment consultants. The committee also approved the recruitment of additional personnel to the internal audit function and the procurement of advanced IT tools to support the financial risk management controls across the Group's growing businesses.

The committee reviewed the annual internal audit plan, which the committee believes is appropriate to the scope and nature of the Group. The internal audit plan is risk based, with all divisions audited every year, and all new businesses being audited within 12 months of acquisition.

The committee received quarterly reports from the Head of Internal Audit which were considered. These reports enable the committee to monitor the progress of the internal audit plan, to discuss key findings and management responses thereto, and to monitor any action points arising from them.

As part of its standing schedule of business, the committee carried out the annual risk assessment of the business. The risk analysis was carried out by internal audit in conjunction with the businesses, and it analysed the gross and net risk by assessing the probability and potential impact of each risk and taking into account the effectiveness of internal controls. The principal risks facing the business as identified by the committee are set out below, and fuller details of their potential impact and the Group's mitigating controls are set out in the Statement of Principal Risks and Uncertainties in this Annual Report:

- volatility in the macro environment;
- business interruption (including IT continuity);
- product failure;
- failure to innovate;
- credit risks and credit control.

Code of Conduct
The Group has a Code of Conduct, setting the standard by which all employees across the Group are expected to conduct themselves. The Code of Conduct is available on the Group's website www.kingspan.com. Reporting procedures have been adopted and notified to all employees, and staff are encouraged to raise any concerns about possible improprieties or breaches of the Code of Conduct in any area of the Group, either to management, or through a confidential phone service which has been established for the purpose. Any non-compliance with the Code of Conduct or reports to the confidential phone service, are then reported to the committee, which monitors fraud and/or misconduct through regular updates.

Internal controls
Responsibility for the implementation of the Group's system of internal control has been delegated to executive management. This ensures the embedding of the system of internal control throughout the Group's operations, and ensures that the organisation is capable of responding quickly to evolving business risks, and that significant internal control issues, should they arise, are reported quickly to appropriate levels of management. Such a system of internal control by its nature is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide reasonable, but not absolute, assurance against material misstatement or loss.

The main features of the internal controls that relate specifically to the Group's financial reporting and accounts consolidation process are set out in the Corporate Governance Statement in this Annual Report.

In 2011 the external auditors carried out a comprehensive business and controls review, across all of the Group's businesses. This review produced a detailed report on the internal control system across the Group and highlighted any significant control weaknesses.
In 2012, the committee monitored progress of the remediation strategy across any areas identified as weaknesses in the report, with the implementation being overseen by the Group Chief Financial Officer. The external auditors, as part of both the year-end audit and the half year review process, updated their report, and the committee discussed the targeted improvements in the internal control system with management. The committee satisfied itself that remediation was being properly executed.

Compliance

This report has been prepared having regard to the provisions of Section C of the UK Corporate Governance Code (June 2010) and the Irish Corporate Governance Annex.

Helen Kirkpatrick
Chairman, Audit Committee

CORPORATE GOVERNANCE STATEMENT

KINGSPAN IS COMMITTED TO APPLYING THE PRINCIPLES OF BEST PRACTICE CORPORATE GOVERNANCE TO FACILITATE EFFECTIVE, ENTREPRENEURIAL AND PRUDENT MANAGEMENT, AND TO DRIVE THE LONG-TERM SUCCESS OF THE GROUP. THIS STATEMENT DESCRIBES HOW KINGSPAN HAS APPLIED THE PRINCIPLES OF THE UK CORPORATE GOVERNANCE CODE (JUNE 2010), AND THE IRISH CORPORATE GOVERNANCE ANNEX, THROUGHOUT 2012.

The Board

The Board of the Company is responsible for the leadership, strategic direction and the long term success of the Group. It sets the Group's strategic aims, establishes the Group's values and standards, and monitors compliance within a framework of effective controls.

The Board comprises 11 directors five of whom are executives, and six including the Chairman are non-executive directors. The names and other details of all of the directors as at the date of this report and brief biographies of each which highlight the range of experience they bring to the Board, are set out in the section headed 'The Board' in this Annual Report. Each of the executive directors has a combination of general business skills, and experience in the construction materials market. The non-executive directors represent a diverse business background complementing the executive directors' skills. All of the directors bring an objective judgement to bear on issues of strategy, resources and standards of performance. The directors believe that the Board includes an appropriate balance of skills and ability to provide effective leadership and control to the Group.

The Board met formally nine times during the year, as well as informally as and when required. Attendance at Board and committee meetings is set out in the table below. The Board has delegated responsibility for management of the Group to the Chief Executive and his executive management team. The Board reserves for itself a formal schedule of matters on which it takes the ultimate decision. These include adopting the Group's rolling 5 year strategic plan and the annual budget, approving all major capital expenditure and material contracts, acquisitions and disposals of businesses and other assets, appointment of senior executives and succession planning, reviewing management's corporate and financial performance, and overall review of the Group's internal controls. The Board has delegated some of its responsibilities to Committees of the Board, the roles and responsibilities of which are set out below.

As part of the performance evaluation process the Chairman meets at least once annually with the non-executive directors without the executive directors being present to review the performance of the Board, the conduct of Board meetings and committee meetings, and the general corporate governance of the Group. In addition, the non-executive directors, led by the senior independent director, meet annually without the Chairman present to appraise the workings of the Board.

The Chairman and Chief Executive

There is a clear division of responsibility set out in writing between the non-executive Chairman and the Chief Executive.

The Chairman's primary responsibility is to lead the Board. He is responsible for setting the Board's agenda and for the efficient and effective working of the Board. He ensures that all members of the Board, including in particular the non-executive directors, have an opportunity to contribute effectively. He is also responsible for ensuring that there is appropriate and timely communication with shareholders.

Attendance at Board and Committee meetings during the year ended 31 December 2012

	Board		Audit		Nominations		Remuneration		Acquisitions	
	A	B	A	B	A	B	A	B	A	B
Eugene Murtagh	9	9			1	1				
Gene M. Murtagh	9	9			1	1			1	1
Geoff Doherty	9	9							1	1
Russell Shiels	9	9								
Peter Wilson	9	9								
Gilbert McCarthy	9	9								
Tony McArdle	9	9	4	4	1	1			1	1
David Byrne	9	7	4	3	1	1	3	3		
Brian Hill	9	8	4	4			3	3	1	1
Helen Kirkpatrick	9	9	4	4	1	1	3	3		
Danny Kitchen	3	3	1	1			1	1		
Kieran Murphy	7	6							1	1

Column A - indicates the number of meetings held during the period the director was a member of the Board and/or Committee.

Column B - indicates the number of meetings attended during the period the director was a member of the Board and/or Committee.

The Board has delegated executive responsibility for running the Group to the Chief Executive and the executive management team. The Chief Executive is responsible for the strategic direction and the overall performance of the Group, and is accountable to the Board for all authority so delegated.

Board balance and independence

The Board is of the view that its current size and structure works well, and that the balance of executive and non-executive directors generates a good degree of constructive and effective challenge and debate. An externally facilitated evaluation of the Board carried out in 2011 determined that there was a good mix of skills and experience on the Board. Whilst it is intended to progressively refresh the independent non-executive directors on the Board having regard to their mix of skills, experience and diversity, it is not at present intended to change the size of the Board.

Throughout the year half of the Board, excluding the Chairman, comprised independent non-executive directors. The Board has considered the relationships and circumstances that might affect a director's judgement, and has determined the following non-executive directors to be independent: Tony McArdle, David Byrne, Brian Hill, Helen Kirkpatrick and Kieran Murphy. Tony McArdle is nominated as the senior independent director of the Company, and is available to shareholders who have concerns that cannot be addressed through the Chairman, Chief Executive or Chief Financial Officer. The directors consider that there is a strong independent representation on the Board, and are committed to refreshing and strengthening the independent representation on the Board on an on-going basis.

In determining the independence of Tony McArdle, the Board had regard to the fact that it is nine and a half years since he was first appointed a non-executive director. The Board recognised that he has always contributed to the constructive debate at Board, and that in performing the role of senior independent director he has exercised an independent judgment, and concluded that the independence of his character and judgement was not compromised. Tony McArdle will be retiring as a non-executive director following the conclusion of this year's Annual General Meeting, upon the expiration of his term of office, and following his retirement the role of senior independent director will be taken over by David Byrne.

Appointments to the Board

All appointments to the Board are made on the recommendation of the Nominations Committee. In addition the Nominations Committee reviews the various committees and makes recommendations to the Board on the appointment of the chairman and the membership of each. The standard terms of appointment of non-executive directors are available, on request, from the Company Secretary. Further details of the activities of the Nominations Committee during the year are set out below.

Information and professional development

All directors are supplied with appropriate and timely information for Board and committee meetings, and are given the opportunity to probe and question the executives and to seek such further information as they consider appropriate. The Group's professional advisors are available for consultation with the Board and attend Board meetings as required. All directors have access to the advice and services of the Company Secretary who is responsible for ensuring that Board procedures are followed. He is also responsible for advising the Board, through the Chairman, on all governance matters. Individual directors may seek independent professional advice at the expense of the Company in furtherance of their duties as a director. The Group has arranged appropriate insurance cover in respect of legal action against its directors.

The Company has procedures whereby directors (including non-executive directors) receive formal induction and familiarisation with the Kingspan's business operations and systems on appointment. All directors receive continuing training relating to the discharge of their duties as directors, including legislative changes and developments in accounting, governance and other standards as appropriate. The Board also meets with key executives within the Group during the year, and visits to the Group's manufacturing facilities are arranged at least once annually.

Performance evaluation

The Chairman reviews the performance of individual directors annually and the senior independent director, through discussions with other directors, conducts a review of the Board, its committees and its corporate governance. In 2011, the Board engaged a firm of independent external consultants, Independent Audit Limited, to facilitate a review of the performance and effectiveness of the Board and its committees. In 2012 the review of the Board followed up on the themes identified in the external consultant's report.

Re-election of directors

Non-executive directors are appointed to the Board for an initial term of three years, renewable with the Board's agreement (subject to re-election by the shareholders at the Annual General Meeting). Since 2011 the Board has agreed, in accordance with the provisions of the UK Corporate Governance Code, that all directors would be subject to annual re-election by the shareholders at the Company's Annual General Meeting.

Board Committees

The Board has established the following committees: Acquisitions, Audit, Nominations and Remuneration committees. All committees of the Board have written terms of reference setting out their authorities and duties and these terms are available on the Group's website www.kingspan.com. The chairman and members of each committee are set out in this Annual Report.

CORPORATE GOVERNANCE STATEMENT

Acquisitions Committee

The Acquisitions Committee has been established by the Board to consider and appraise all acquisition proposals made by the Group within its authorised limits, and to approve any investments, joint ventures, and capital expenditure within those limits which it considers to promote the Group strategy. The committee also carries out a periodic review of investments made within the previous years to review actual performance against forecast targets. The committee met once during 2012 to consider and approve the acquisition of a specialist UK insulation business. The acquisition proposals for ThyssenKrupp Construction Group and Rigidal were considered by the full Board in accordance with the committee's terms of reference.

Audit Committee

The Board has established an Audit Committee to monitor the integrity of the Company's financial statements, and the effectiveness of the Group's internal financial controls. The members of the Audit Committee bring considerable financial and accounting experience to the committee's work, and in particular the Board considers that the chairman of the Audit Committee, Helen Kirkpatrick B.A., F.C.A., has appropriate recent and relevant financial experience. The Board is satisfied that the combined qualifications and experience of the members give the committee collectively the financial expertise necessary to discharge its responsibilities. The report of the Audit Committee is set out in this Annual Report, and describes how the Company has applied the principles of Section C of the UK Corporate Governance Code (June 2010) and the Irish Corporate Governance Annex.

Nominations Committee

The Nominations Committee assists the Board in ensuring that the composition of the Board and its committees is appropriate for the needs of the Group. The committee considers the Board's membership, identifies additional skills or experience which might benefit the Board's performance and recommends appointments to or, where necessary, removals from, the Board.

The Nominations Committee met once in 2012, both to consider the annual re-election of directors at the Company's Annual General Meeting, and to recommend the appointment of Kieran Murphy as a non-executive director to the Board. In 2011, the committee had considered whether or not to engage a firm of consultants to assist in the process of recruiting a new non-executive director, and agreed that in order to ensure best fit with the Company, it would use the knowledge and contacts of the committee to identify a suitable pool of candidates. As part of the on-going succession planning process for the renewal of the Board, the committee had due regard to need for diversity on the Board, encompassing gender, nationality and skill-set. The committee had previously determined that the key criterion for this appointment was the need for the candidate to have an international profile that would better reflect the Group's geographic strategy, which ultimately led to the committee identifying and meeting with Kieran Murphy before recommending his appointment to the Board.

Remuneration Committee

The Remuneration Committee has responsibility for setting remuneration for all executive directors and for the Chairman, including pension contributions and any compensation payments. The committee also monitors the level and structure of remuneration for senior management. The report of the Remuneration Committee is set out in this Annual Report, which describes how the Company has applied the principles of the UK Corporate Governance Code (June 2010) and the Irish Corporate Governance Annex.

Communications with shareholders

Kingspan places great emphasis on maintaining regular and responsible dialogue with shareholders. This is achieved through meetings with institutional investors, presentations to brokers and analysts, and making relevant information available on the Group's website, www.kingspan.com in a timely fashion. Twice a year, following publication of the annual and half-year results, the Chief Executive and the Chief Financial Officer meet with institutional investors during a formal results roadshow. In addition, the Company encourages communication with all shareholders, and welcomes their participation at Annual General Meetings. All shareholders who attend the Company's Annual General Meeting are given the opportunity to question the Chairman and other members of the Board, including the chairmen of the committees, on any aspect of the Group's business.

Internal control and risk management systems

The main features of the Group's internal control and risk management systems that relate specifically to the Group's financial reporting and accounts consolidation process are:

- The review of reporting packages for each entity as part of the year-end audit process;
- The reconciliation of reporting packages to monthly management packs as part of the audit process and as part of management review;
- The validation of consolidation journals as part of the management review process and as an integral component of the year-end audit process;
- The review and analysis of results by the Chief Financial Officer and the Auditors with the management of each division;
- The review of audit management letters by the Chief Financial Officer, Head of Internal Audit and the Audit Committee; and the follow up of any critical management letter points to ensure issues highlighted are addressed.

Statement of compliance

The directors confirm that the Company has throughout the accounting period ended 31 December 2012 complied with the provisions of the UK Corporate Governance Code (June 2010) and the Irish Corporate Governance Annex.

The full text of the UK Code can be found on the Financial Reporting Council's website, www.frc.org.uk, and the Irish Annex is available on the Irish Stock Exchange's website, www.ise.ie.

CORPORATE SOCIAL RESPONSIBILITY

OUR AMBITION

KINGSPAN RECOGNISES THE IMPORTANCE OF CONDUCTING ITS BUSINESS IN A SOCIALLY RESPONSIBLE MANNER. THIS IS DEMONSTRATED IN THE WAY WE DEAL WITH OUR EMPLOYEES, CUSTOMERS AND THE WIDER COMMUNITY WHERE WE OPERATE. KINGSPAN CONSIDERS THAT CORPORATE SOCIAL RESPONSIBILITY IS AN INTEGRAL PART OF GOOD BUSINESS MANAGEMENT.

To this end, Kingspan has adopted a sustainability policy which is being implemented across the Group. The ambition is for Kingspan:

"To be a global leader in sustainable business and establish a leading position in providing ethical, renewable and affordable best practice solutions for the construction sector".

Striving for sustainability in all our business products and operations is our corporate and personal responsibility. Kingspan aims to adopt and apply best practice sustainability principles by ensuring environmental, social and economic parameters are considered in an integrated way in product and service delivery.

To deliver on this vision Kingspan will

- Incorporate the ethos of sustainability into the vision and values of the organisation.
- Continue to invest in research and development in the area of maximising insulation values in products, and the integration of renewable energy products into the Kingspan solution.
- Continually improve operational performance through the setting of longterm objectives and targets related to sustainability and review progress regularly.
- Comply or exceed applicable legal and policy requirements related to the environmental and social aspects of the organisation.
- Optimise energy and raw material usage and prevent or minimise pollution and environmental damage.
- Develop a framework to continually monitor sustainability performance and actively communicate progress annually in the form of a published sustainability report, using the Global Reporting Initiative (GRI) guidelines.
- Communicate and actively promote awareness and acceptance of this policy to everyone working for or on behalf of Kingspan (including employees, shareholders, suppliers/ sub-contractors and customers).
- Ensure employees are given adequate training in sustainability issues and are fully involved in helping deliver the Kingspan Group Sustainability Vision and Policy.
- Implement a Code of Conduct and supporting sustainability guidelines for key suppliers and contractors and other interested parties to ensure that they comply with the Kingspan Group Sustainability Policy.

Reporting and measurement

Kingspan is committed to measuring and reporting its Corporate Social Responsibility (CSR) activities across all its business divisions. It is its policy to promote the use of the GRI G3 Sustainability Reporting Guidelines on a progressive basis across its businesses, to ensure a robust reporting procedure. The GRI guidelines provide a globally recognised framework for reporting on an organisation's economic, social and environmental performance.

In October 2011 Kingspan Insulated Panels produced its fifth annual sustainability reports using the GRI guidelines, to Level C standard. The next report is due to be published in 2013.

CORPORATE SOCIAL RESPONSIBILITY

Light on energy

Kingspan high performance insulated envelope systems can save up to 40% of the building's energy consumption.

Kingspan EnvelopeFirst™, in conjunction with Energy Efficiency Measures (EEM's), is the first step on the route to Net-Zero Energy Buildings.

Light on the planet

Kingspan high performance insulated panel systems provide guaranteed insulation continuity, thermal reliability and airtightness over the whole life of a building compared with fibrous insulation materials.

*1m² of Kingspan insulated panels reduces energy consumption by 5100 kWh and saves 260.00 Euros**

**Total savings over 60 years*

High on efficiency

The next step on the route to Net-Zero Energy Buildings is the integration of renewable technologies – Kingspan Insulate & Generate.

Insulate & Generate enables the building to achieve net-zero energy targets and even become a net-energy producer.

Kingspan Insulation has been producing full sustainability reports since 2004. The most recent report published in 2012 has been prepared under the GRI guidelines, and the company undertook an external assurance process to ensure accuracy and robustness of the GRI indicator data upon which the report is based. As a result, the report is commensurate with GRI application level B+.

Marketplace

Sustainable Building Products and Solutions

Kingspan being a global provider of high performance sustainable building products and solutions for the construction industry is committed to producing products that deliver less energy, less cost and less carbon and therefore reducing the impact buildings have on our environment throughout their lifecycle.

Research & Development

Ensuring a continuous flow of new product developments has always been a core theme throughout Kingspan and the development of solutions that benefit the environment is a key business opportunity for the Group. Research and development projects range from evolutionary chemical and structural improvements in our offering, to more fundamental changes in materials and building envelope solutions.

Product Lifecycle Assessments (LCA)

Kingspan is fully committed to developing products that are sustainable throughout their lifecycle, from manufacturing and application to their disposal. Conducting lifecycle assessments is an integral part of assessing the environmental impact and identifying areas for improvement. As we all work together toward NetZero buildings, real environmental metrics and increased transparency on product lifecycle will become increasingly essential tools.

Kingspan Insulated Panels continue to work with Building Research Establishment Group (BRE) to understand how their products, materials and systems will perform and how they might improve the environmental performance of their products. The objective is to ensure sustainability is considered in the design, manufacture, installation, use and disposal of Kingspan Insulated Panel products and services. The key product ranges manufactured in the UK are certified by BRE Green Guide to Specification A+ ratings. The Guide provides relevant information to help decision-making by translating numerical lifecycle assessment data into a simple A+ to E scale of environmental ratings. This enables specifiers to make comparisons between materials and components.

In Australia, Kingspan Panels was the first company in the sector to produce externally verified Environmental Product Declarations (EPD) for all products manufactured at the Sydney facility. Completed in 2012, the EPD provides an externally certified Life Cycle Assessment of its insulated panel products and calculates the environmental footprint of a product at each stage of the supply chain through to end of life. There is no national framework for the definition and maintenance of standards for Environmental Product Declarations in Australia but applying the UK BRE Green Guide to Specification an A+ rating would have been achieved.

In 2011, Kingspan Insulated Panels North America produced an Environmental Product Declaration (EPD) for its roof and wall systems, the first of its kind awarded to a North America based manufacturer of exterior roof and wall panels.

In the Insulation division, lifecycle assessments have now been carried out for the vast majority of insulation products manufactured at the Pembridge facility in the UK.

Ethical Procurement & Supply Chain Management

Given the large environmental impact of Kingspan's raw materials, it is important to manage this process in the most sustainable way. Kingspan is engaging with its supply chain to achieve this, using its purchasing power to bring about lasting and positive change.

Kingspan have developed an ethical procurement strategy for procuring materials and services and are engaging with prioritised suppliers to ensure they align to the same standards and seek to build and maintain long term relationships with key suppliers and contractors.

Within the Insulated Panels Division, Kingspan aims to have all of its suppliers accredited to the British Standard EN ISO 9001/14001 and Occupational Health and Safety Assessment Series (OHSAS) 18001, which cover quality, health and safety and environmental management. Although this is not currently compulsory for its suppliers, Kingspan has many long-standing relationships with them and as such they are either working towards this accreditation, or have already achieved it.

Environment

Energy & Carbon

Net Zero Energy

During 2011, the Group embarked on its own Net Zero Initiative, which in essence aims to have all facilities running on entirely renewable power by 2020.

Good progress was made in 2012 resulting in renewable energy use at circa 10% with plans in place to achieve the interim target of 50% in 2016 and 100% in 2020. Kingspan's progress in achieving targets will be reported annually through the Carbon Disclosure Project (CDP).

Improving energy efficiency across all Group operations is a key element of the strategy to achieve net zero. On 28 November 2012 Kingspan announced a partnership with SDCL (Sustainable Development Capital Limited) and Johnson Controls to deliver energy efficiency solutions for the UK manufacturing sites. This is a funded solution through SDCL and the UK Green Investment Bank with plans to reduce energy use at the Holywell Insulated Panel plant by over 1.1GWh per annum, with similar projects in the pipeline for other sites.

In relation to the Holywell project Shaun Kingsbury, Chief Executive Officer of the UK Green Investment Bank said:
"This project represents a significant development in the energy efficiency market. Energy efficiency improvement should be one of the most compelling investments companies can make. I hope that the example set by Kingspan, SDCL and Johnson Controls can be followed across the UK both to reduce wasteful consumption of energy and to save businesses money".

The Group Head Office in Ireland achieved Net Zero during 2012 with a 132kWp solar power installation. Other sizeable projects include a 406kWp solar PV array at the Holywell Insulated Panels site, a 799kWp array at the Pembridge Insulation Boards site, a 200kWp array at the Access Floors site in Hull and a 171kWp array at the Basildon site of Kingspan Renewables. In total these installations generated 1,131,567kWh of electricity in 2012.

Further large scale renewable energy projects planned over the next couple of years include a 5 megawatt wind installation at Holywell (subject to planning permission) and a Biogas CHP (Combined Heat & Power) facility at Pembridge. A number of other site specific renewable energy projects are being investigated.

In 2012, Kingspan Insulated Panels in the UK became the first manufacturer of insulated metal cladding systems to be certified to the prestigious Carbon Trust Standard in recognition of the company being at the forefront of industry initiatives to minimise carbon emissions and energy usage. The Carbon Trust Standard is designed to provide a robust, objective analysis of a company's carbon performance over a number of years. Organisations must be able to display both annual reductions in energy usage over a period of three years and prove that they have the necessary management procedures, plans and targets to continue to achieve further year-on-year carbon reductions in the future.

Waste & Recycling

Kingspan is fully committed to reducing the amount of waste sent to landfill and is continuously looking at new and innovative ways to reduce the generation of waste and where it is generated, to reuse and recycle wherever possible.

Significant progress was made in 2012 with the Insulated Panels plants in Holywell and Kingscourt becoming zero waste to landfill sites with all waste either being recycled or sent to waste to energy plants which helped generate 241,000kWh of electricity in 2012. The amount of waste recycled is carefully monitored to ensure that the different waste streams are segregated as efficiently and thoroughly as possible. Kingspan Insulated Panels aims to adopt and apply best practice sustainability principles by ensuring environmental, social and economic parameters are considered in an integrated way in product and service delivery.

The Waste Working Group in the Insulation division continues to develop solutions to minimise waste and to find the best disposal routes for waste materials from manufacturing and that taken back from construction sites. An audited Waste Management Procedure has been established covering correct definition and labelling of waste streams and waste management flows for all waste streams generated on-site. Within the Pembridge and Selby sites in the UK, overall avoidance of all waste streams to landfill in 2012 was 92% representing a significant improvement on 2011. All Kooltherm® production foam waste including 467 tonnes of customer 'Site Waste Returns' is being diverted 100% from waste to energy fuel conversion.

In the Access Floors facility in the US, landfill waste is down to 0.5% of the materials used with initiatives in process toward the goal of zero to landfill. While in Access Floors in the UK increasing levels of waste are being recycled back into the supply chain and a service to recycle old floor systems is also offered to customers.

Water

As a proportion of inputs into the manufacturing process, water is relatively small compared to other resources. However Kingspan does use water for general catering and sanitary purposes and recognises the necessity to act responsibly in managing water resources on site. To this end, Kingspan continues to aim to maximise our use of harvested rain water, having installed its first on site rain water harvesting system in 2009. Kingspan aims to increase the number of sites and the amount of rainwater harvested in a phased manner.

CORPORATE SOCIAL RESPONSIBILITY

Workplace

Health & Safety

Kingspan has a strong reputation for health and safety in the workplace and takes seriously its responsibility for staff welfare. In the UK, reviews carried out as part of the Investor in People framework have noted the Group's approach to occupational health and well being as a particular strength, and investments continue to be made to ensure these high standards are maintained. Provision of a high quality working environment is viewed as fundamental to maintaining healthy and motivated staff, and to retaining staff for the long-term. OHSAS 18001, in conjunction with increased resources applied to the management of health and safety, has helped to deliver significant improvement in performance.

Kingspan Insulated Panels had already achieved OHSAS 18001 at all of its UK and Ireland sites while the manufacturing facility in Leuze, Belgium was awarded the accolade in 2012. There are currently plans in place to achieve accreditation for manufacturing sites in Australia, Dubai, France and Belgium in 2013/2014. Also the UK site in Holywell, North Wales was awarded the Royal Society for the Prevention of Accidents Gold (RoSPA) Award for the fifth consecutive year in 2012.

The Environmental Division achieved OHSAS 18001 at its solar manufacturing site in Portadown in 2012, thereby completing the accreditation process for all sites in Ireland.

Kingspan Insulation have undertaken an employee occupational satisfaction survey in the two largest sites in the UK and as a result have initiated employee forums to create more involvement in operational matters. To date Kingspan Insulation has achieved OHSAS 18001 on seven manufacturing sites with plans in place to achieve accreditation in three further sites in 2013.

Graduate recruitment

Kingspan is recognised throughout the construction industry for its commitment to innovation, design, quality and technical expertise; but these assets are only derived from determined and committed

people managing day-to-day processes. Under Kingspan's Graduate Recruitment Programme, we work closely with the main universities and colleges to recruit top graduates primarily in the engineering, marketing and information technology fields, and provide them with opportunities to train with us around the globe. Innovation is key to Kingspan's success so a continued supply of graduate talent is critical.

Awards

In 2012 Kingspan were awarded the inaugural InBusiness Editors' Choice Award for Company of the Year. Run in association with Chambers Ireland, Ireland's largest business organisation with 60 member chambers representing over 13,000 businesses nationwide, the InBusiness awards honour outstanding achievement in the Irish business community and recipients were selected on the criteria of growth, profile of business, range of services and customer care.

The Insulated Panels site in Holywell, UK had its approach to the prevention of accidents and ill health recognised in the RoSPA Occupational Health and Safety Awards 2012 where they were presented with a Gold medal for the fifth year running. The RoSPA Occupational Health and Safety Awards scheme is the largest and longest running programme of its kind in the UK recognising commitment to accident and ill health prevention in the workplace.

Community

Community Relationships

As a large and successful international company, Kingspan recognises its role in contributing to the communities in which it operates. Across our site locations, we work with a number of local schools, sports clubs and community organisations, providing sponsorships and support for fundraising events.

The Kingspan Insulation Community Trust was established in 2006 as a registered charity, through which Kingspan donates to community initiatives around Herefordshire, and more recently, North Yorkshire. To date, over £100,000 has been awarded for projects supporting conservation and biodiversity, health and fitness of young people, or promotion of road safety in the local community. However, the success of the Trust has meant that the quantity of suitable

Habitat creation at Pembridge Primary School, Herefordshire, UK

Kingspan employees help to transform St Winefride's into a Forest School

applications from the three recipient areas has dwindled over the last couple of years. Consequently, the Trustees of the Kingspan Insulation Community Trust have decided to expand the Trust to include a wider geographical area around Kingspan's Pembridge site, so that it can continue to provide funding to worthwhile projects. Further details on this Trust can be found on its website: *www.kingspaninsulationcommunitytrust.org*

Also during 2012, more than 30 volunteers from Kingspan Panels swapped their usual Friday at work for a day giving back to the community as part of Business in the Community's 'Give & Gain Day' during which St. Winefride's Catholic Primary School in Holywell, UK had their 'Forest School' area revamped. After months of planning, volunteers from Kingspan created the outdoor learning environment in the playground in just one day which included a bird viewing station, a playground map of the world, raised beds, a new sand pit, blackboards and an upgrade to the seating areas all greatly benefiting the 152 pupils in attendance at the school.

Charitable Support

Kingspan is proud to support a wide variety of charitable initiatives in the community. We also encourage and support the fundraising of colleagues who participate in various fundraising activities.

Now in its fourth year Kingspan have been the main sponsor for the Irish Hospice Foundation's cycle charity fundraiser. In 2012 cyclists took part in a challenge which saw them travel from Dublin-Lyon-Nice. In July 2013 the challenge will be to cycle from the Atlantic to the Mediterranean.

The Irish Hospice Foundation supports the development of hospice care and promotes the hospice philosophy in Ireland. More information on its good work can be found at its website: *www.hospice-foundation.ie*

In May 2012, a group from Kingspan took part in the ARC Men's mini marathon in Dublin's Phoenix Park and raised a total of €11,286 which was then matched by Kingspan and presented to ARC.

ARC was founded in 1994 and is an organisation that offers professional personal support to men and women affected by cancer and their families. Further details can be found at *www.arccancersupport.ie*

STATEMENT OF DIRECTORS' RESPONSIBILITIES

THE DIRECTORS ARE RESPONSIBLE FOR PREPARING THE ANNUAL REPORT AND THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS IN ACCORDANCE WITH APPLICABLE IRISH LAW AND REGULATIONS.

Company law in Ireland requires the directors to prepare financial statements for each financial year. Under that law the directors have to prepare the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). The directors have elected to prepare the company financial statements in accordance with IFRSs as adopted by the EU. The financial statements are required by law to give a true and fair view of the state of affairs of the Group and parent company and of the profit or loss of the Group for that period. In preparing those 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 IFRSs 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, and the Group as a whole, will continue in business.

The directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Acts 1963 to 2012 and Article 4 of the IAS Regulation.

They are responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information on the Company's website. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Financial Regulator, the directors confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the management report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Gene M. Murtagh, Chief Executive Officer
Geoff Doherty, Chief Financial Officer

25 February 2013

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KINGSPAN GROUP PLC

We have audited the Group and Parent Company financial statements ('financial statements') of Kingspan Group plc for the year ended 31 December 2012 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statement of Financial Position, the Consolidated and Parent Company Statement of Cash Flows, the Consolidated and Parent Company Statement of Changes in Shareholders' Equity and the related notes. The financial reporting framework that has been applied in their preparation is Irish law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Acts 1963 to 2012.

This report is made solely to the Company's members, as a body, in accordance with section 193 of the Companies Act 1990. 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.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 46 the directors are responsible for the preparation of the financial statements giving a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Ethical Standards for Auditors issued by the Auditing Practices Board.

Scope of the audit of the financial statements

An audit 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 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. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 31 December 2012 and of its profit for the year then ended;
- the Parent Company statement of financial position gives a true and fair view, in accordance with IFRSs as adopted by the EU as applied in accordance with the provisions of the Companies Acts 1963 to 2012, of the state of the Parent Company's affairs as at 31 December 2012; and
- the financial statements have been properly prepared in accordance with the Companies Acts 1963 to 2012 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Matters on which we are required to report by the Companies Acts 1963 to 2012

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

INDEPENDENT AUDITOR'S REPORT

In our opinion the information given in the directors' report is consistent with the financial statements and the description in the Corporate Governance Statement of the main features of the internal control and risk management systems in relation to the process for preparing the Group financial statements is consistent with the Group financial statements.

The net assets of the Company, as stated in the Company Statement of Financial Position are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2012 a financial situation which under Section 40(1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the Company.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Acts 1963 to 2012 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

Under the Listing Rules of the Irish Stock Exchange we are required to review:

- the directors' statement in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code and the two provisions of the Irish Corporate Governance Annex specified for our review; and
- the six specified elements of disclosures in the report to shareholders by the Board of directors' remuneration.

Roger Gillespie

for and on behalf of

KPMG
Chartered Accountants,
Statutory Audit Firm

25 February 2013

Stokes Place
St. Stephen's Green
Dublin 2

FINANCIAL STATEMENTS 2012

Consolidated Income Statement for the year ended 31 December 2012

Note		Total 2012 €'000	Total 2011 €'000
2	**REVENUE**	**1,628,718**	1,546,893
	COST OF SALES	**(1,182,680)**	(1,124,564)
	GROSS PROFIT	**446,038**	422,329
	Operating costs, excluding intangible amortisation and non trading items	**(338,336)**	(326,676)
	TRADING PROFIT	**107,702**	95,653
	Intangible amortisation	**(3,125)**	(4,745)
4	Non trading items	**112**	-
	OPERATING PROFIT	**104,689**	90,908
5	Finance expense	**(15,327)**	(13,973)
5	Finance income	**590**	829
6	**PROFIT FOR THE YEAR BEFORE INCOME TAX**	**89,952**	77,764
8	Income tax expense	**(15,274)**	(14,894)
	NET PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**74,678**	62,870
	Attributable to owners of Kingspan Group plc	**73,526**	61,835
	Attributable to non-controlling interests	**1,152**	1,035
		74,678	62,870
	EARNINGS PER SHARE FOR THE YEAR		
9	Basic	**43.8c**	37.1c
9	Diluted	**42.9c**	36.4c

Gene M. Murtagh, Chief Executive
Geoff Doherty, Chief Financial Officer
25 February 2013

Consolidated Statement of Comprehensive Income for the year ended 31 December 2012

Note		**Total 2012 €'000**	Total 2011 €'000
	Profit for the year	**74,678**	62,870
	Other comprehensive income:		
21	Exchange differences on translating foreign operations	**12,421**	18,030
21	Net change in fair value of cash flow hedges reclassified to income statement	**244**	299
21	Effective portion of changes in fair value of cash flow hedges	**(1,724)**	(1,292)
34	Actuarial gains/(losses) on defined benefit pension schemes	**851**	(3,179)
23	Income taxes relating to actuarial losses on defined benefit pension schemes	**208**	815
	Total comprehensive income for the year	**86,678**	77,543
	Attributable to owners of Kingspan Group plc	**85,607**	76,503
	Attributable to non-controlling interests	**1,071**	1,040
		86,678	77,543

Consolidated Statement of Financial Position as at 31 December 2012

Note		2012 €'000	2011 €'000
	ASSETS		
	NON-CURRENT ASSETS		
10	Goodwill	**385,427**	373,959
11	Other intangible assets	**20,253**	8,530
13	Property, plant and equipment	**508,056**	443,240
21	Derivative financial instruments	**10,039**	14,163
23	Deferred tax assets	**9,178**	7,576
		932,953	847,468
	CURRENT ASSETS		
15	Inventories	**191,294**	160,661
16	Trade and other receivables	**313,961**	281,802
21	Derivative financial instruments	**3,226**	2,947
	Cash and cash equivalents	**141,611**	141,067
		650,092	586,477
17	Non-current assets classified as held for sale	**404**	392
		650,496	586,869
	TOTAL ASSETS	**1,583,449**	1,434,337
	LIABILITIES		
	CURRENT LIABILITIES		
18	Trade and other payables	**297,596**	253,055
22	Provisions for liabilities	**49,426**	45,955
21	Derivative financial instruments	**193**	21
20	Deferred contingent consideration	**506**	480
19	Interest bearing loans and borrowings	**3,749**	10,430
	Current income tax liabilities	**43,359**	39,363
		394,829	349,304
	NON-CURRENT LIABILITIES		
34	Retirement benefit obligations	**12,314**	1,389
22	Provisions for liabilities	**13,951**	9,857
19	Interest bearing loans and borrowings	**316,218**	317,796
23	Deferred tax liabilities	**25,407**	20,662
20	Deferred contingent consideration	**7,352**	344
		375,242	350,048
	TOTAL LIABILITIES	**770,071**	699,352
	NET ASSETS	**813,378**	734,985
	EQUITY		
25	Share capital	**22,542**	22,344
26	Share premium	**40,570**	38,059
	Capital redemption reserve	**723**	723
28	Treasury shares	**(30,707)**	(30,707)
	Other reserves	**(92,061)**	(107,715)
	Retained earnings	**865,196**	806,144
	EQUITY ATTRIBUTABLE TO OWNERS OF KINGSPAN GROUP PLC	**806,263**	728,848
31	**NON-CONTROLLING INTEREST**	**7,115**	6,137
	TOTAL EQUITY	**813,378**	734,985

Gene M. Murtagh, Chief Executive
Geoff Doherty, Chief Financial Officer
25 February 2013

Consolidated Statement of Changes in Equity for the year ended 31 December 2012

	Share Capital €'000	Share Premium €'000	Capital Redemption Reserve €'000	Treasury Shares €'000	Translation Reserve €'000	Cashflow Hedging Reserve €'000	Share Based Payment Reserve €'000	Revaluation Reserve €'000	Retained Earnings €'000	Total Attributable to Owners of the Parent €'000	Non-Controlling Interest €'000	Total Equity €'000
Balance at 1 January 2012	22,344	38,059	723	(30,707)	(129,386)	1,577	19,381	713	806,144	728,848	6,137	**734,985**
Transactions with owners recognised directly in equity												
Shares issued	198	2,511	-	-	-	-	-	-	-	2,709	-	**2,709**
Employee share based compensation	-	-	-	-	-	-	6,737	-	-	6,737	-	**6,737**
Tax on employee share based compensation	-	-	-	-	-	-	1,145	-	419	1,564	-	**1,564**
Exercise or lapsing of share options	-	-	-	-	-	-	(3,250)	-	3,250	-	-	-
Dividends	-	-	-	-	-	-	-	-	(19,202)	(19,202)	-	**(19,202)**
Transactions with non-controlling interests:												
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	(93)	**(93)**
Transactions with owners	**198**	**2,511**	**-**	**-**	**-**	**-**	**4,632**	**-**	**(15,533)**	**(8,192)**	**(93)**	**(8,285)**
Total comprehensive income for the year												
Profit for the year	-	-	-	-	-	-	-	-	73,526	73,526	1,152	**74,678**
Other comprehensive income:												
Cash flow hedging in equity												
- current year	-	-	-	-	-	(1,724)	-	-	-	(1,724)	-	**(1,724)**
- reclassification to profit	-	-	-	-	-	244	-	-	-	244	-	**244**
Defined benefit pension scheme	-	-	-	-	-	-	-	-	851	851	-	**851**
Income taxes relating to actuarial gains/ (losses) on defined benefit pension scheme	-	-	-	-	-	-	-	-	208	208	-	**208**
Exchange differences on translating foreign operations	-	-	-	-	12,502	-	-	-	-	12,502	(81)	**12,421**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**12,502**	**(1,480)**	**-**	**-**	**74,585**	**85,607**	**1,071**	**86,678**
Balance at 31 December 2012	**22,542**	**40,570**	**723**	**(30,707)**	**(116,884)**	**97**	**24,013**	**713**	**865,196**	**806,263**	**7,115**	**813,378**

Consolidated Statement of Changes in Equity for the year ended 31 December 2011

	Share Capital €'000	Share Premium €'000	Capital Redemption Reserve €'000	Treasury Shares €'000	Translation Reserve €'000	Cashflow Hedging Reserve €'000	Share Based Payment Reserve €'000	Revaluation Reserve €'000	Retained Earnings €'000	Total Attributable to Owners of the Parent €'000	Non-Controlling Interest €'000	Total Equity €'000
Balance at 1 January 2011	22,325	37,739	723	(32,565)	(147,411)	2,570	14,895	713	763,008	661,997	4,948	**666,945**
Transactions with owners recognised directly in equity												
Shares issued	19	320	-	-	-	-	-	-	-	339	-	**339**
Employee share based compensation	-	-	-	-	-	-	5,427	-	-	5,427	-	**5,427**
Tax on employee share based compensation	-	-	-	-	-	-	255	-	-	255	-	**255**
Exercise or lapsing of share options	-	-	-	-	-	-	(1,196)	-	1,196	-	-	**-**
Transfer of shares	-	-	-	1,858	-	-	-	-	(58)	1,800	-	**1,800**
Dividends	-	-	-	-	-	-	-	-	(17,473)	(17,473)	-	**(17,473)**
Transactions with non-controlling interests:												
Capital contributions	-	-	-	-	-	-	-	-	-	-	200	**200**
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	(51)	**(51)**
Transactions with owners	**19**	**320**	**-**	**1,858**	**-**	**-**	**4,486**	**-**	**(16,335)**	**(9,652)**	**149**	**(9,503)**
Total comprehensive income for the year												
Profit for the year	-	-	-	-	-	-	-	-	61,835	61,835	1,035	**62,870**
Other comprehensive income:												
Cash flow hedging in equity												
- current year	-	-	-	-	-	(1,292)	-	-	-	(1,292)	-	**(1,292)**
- reclassification to profit	-	-	-	-	-	299	-	-	-	299	-	**299**
Defined benefit pension scheme	-	-	-	-	-	-	-	-	(3,179)	(3,179)	-	**(3,179)**
Income taxes relating to actuarial gains/ (losses) on defined benefit pension scheme	-	-	-	-	-	-	-	-	815	815	-	**815**
Exchange differences on translating foreign operations	-	-	-	-	18,025	-	-	-	-	18,025	5	**18,030**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**18,025**	**(993)**	**-**	**-**	**59,471**	**76,503**	**1,040**	**77,543**
Balance at 31 December 2011	**22,344**	**38,059**	**723**	**(30,707)**	**(129,386)**	**1,577**	**19,381**	**713**	**806,144**	**728,848**	**6,137**	**734,985**

Consolidated Statement of Cash Flows for the year ended 31 December 2012

	2012 €'000	2011 €'000
OPERATING ACTIVITIES		
Profit for the year before income tax	**89,952**	77,764
Depreciation of property, plant and equipment and amortisation of intangible assets	**43,284**	42,659
Impairment of non-current assets	**21,655**	1,702
Employee equity-settled share options	**6,737**	5,427
Finance income	**(590)**	(829)
Finance expense	**15,327**	13,973
Non cash items	**(1,273)**	1,838
Negative goodwill	**(34,458)**	-
Profit on sale of property, plant and equipment	**(182)**	(771)
Settlement of legal costs	**(12,272)**	-
Change in inventories	**10,634**	(13,403)
Change in trade and other receivables	**37,619**	(16,839)
Change in trade and other payables	**(15,841)**	15,601
Pension contributions	**(3,026)**	(2,768)
Cash generated from operations	**157,566**	124,354
Taxes paid	**(13,905)**	(9,772)
Net cash flow from operating activities	**143,661**	114,582
INVESTING ACTIVITIES		
Additions to property, plant and equipment	**(34,239)**	(28,809)
Proceeds from disposals of property, plant and equipment	**2,445**	5,226
Purchase of subsidiary undertakings, net of disposals	**(72,519)**	(107,016)
Payment of deferred consideration in respect of acquisitions	**(477)**	(2,387)
Interest received	**533**	252
Net cash flow from investing activities	**(104,257)**	(132,734)
FINANCING ACTIVITIES		
Private Placement issuance	**-**	149,996
Repayment of bank loans	**(3,605)**	(66,047)
Change in finance lease liability	**(278)**	(666)
Proceeds from share issues	**2,709**	339
Interest paid	**(17,321)**	(11,319)
Capital injection by non-controlling interests	**-**	200
Dividends paid to non-controlling interests	**(93)**	(51)
Dividends paid	**(19,202)**	(17,278)
Net cash flow from financing activities	**(37,790)**	55,174
INCREASE IN CASH AND CASH EQUIVALENTS	**1,614**	37,022
Translation adjustment	**2,238**	871
Cash and cash equivalents at the beginning of the year	**137,374**	99,481
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**141,226**	137,374
Cash and cash equivalents as at 1 January were made up of:		
- Cash and cash equivalents	**141,067**	104,402
- Overdrafts	**(3,693)**	(4,921)
	137,374	99,481
Cash and cash equivalents as at 31 December were made up of:		
- Cash and cash equivalents	**141,611**	141,067
- Overdrafts	**(385)**	(3,693)
	141,226	137,374

Company Statement of Financial Position as at 31 December 2012

Note		2012 €'000	2011 €'000
	ASSETS		
	NON-CURRENT ASSETS		
14	Investments in subsidiaries	**1,093,353**	1,086,616
	CURRENT ASSETS		
	Trade and other receivables	**261**	-
	Intercompany receivables	**226,443**	240,653
	TOTAL ASSETS	**1,320,057**	1,327,269
	LIABILITIES		
	CURRENT LIABILITIES		
	Payables	**(290)**	(195)
	TOTAL LIABILITIES	**(290)**	(195)
	NET ASSETS	**1,319,767**	1,327,074
	EQUITY		
	Equity attributable to owners of Kingspan Group plc		
25	Share capital	**22,542**	22,344
26	Share premium	**40,570**	38,059
	Capital redemption reserve	**723**	723
28	Treasury shares	**(30,707)**	(30,707)
29	Retained earnings	**1,286,639**	1,296,655
	TOTAL EQUITY	**1,319,767**	1,327,074

Gene M. Murtagh, Chief Executive
Geoff Doherty, Chief Financial Officer
25 February 2013

Company Statement of Changes in Shareholders' Equity for the year ended 31 December 2012

	Share capital €'000	Share premium €'000	Capital redemption reserves €'000	Treasury shares €'000	Retained earnings €'000	Shareholders' Equity €'000
Balance at 1 January 2012	22,344	38,059	723	(30,707)	1,296,655	**1,327,074**
Shares issued	198	2,511	-	-	-	**2,709**
Employee share based compensation	-	-	-	-	6,737	**6,737**
Dividends	-	-	-	-	(19,202)	**(19,202)**
Transactions with owners	198	2,511	-	-	(12,465)	**(9,756)**
Profit for the year	-	-	-	-	2,449	**2,449**
Balance at 31 December 2012	**22,542**	**40,570**	**723**	**(30,707)**	**1,286,639**	**1,319,767**

	Share capital €'000	Share premium €'000	Capital redemption reserves €'000	Treasury shares €'000	Retained earnings €'000	Shareholders' Equity €'000
Balance at 1 January 2011	22,325	37,739	723	(32,565)	1,308,714	1,336,936
Shares issued	19	320	-	-	-	339
Employee share based compensation	-	-	-	-	5,427	5,427
Transfer of shares	-	-	-	1,858	(58)	1,800
Dividends	-	-	-	-	(17,473)	(17,473)
Transactions with owners	19	320	-	1,858	(12,104)	(9,907)
Profit for the year	-	-	-	-	45	45
Balance at 31 December 2011	22,344	38,059	723	(30,707)	1,296,655	1,327,074

Company Statement of Cash Flows for the year ended 31 December 2012

	2012	2011
	€'000	€'000
OPERATING ACTIVITIES		
Profit for the year before tax	**2,449**	45
Change in trade and other receivables	**(261)**	-
Change in payables	**95**	-
Net cash flow from operating activities	**2,283**	45
FINANCING ACTIVITIES		
Change in intercompany receivables	**14,210**	16,894
Proceeds from share issues	**2,709**	339
Dividends paid	**(19,202)**	(17,278)
Net cash flow from financing activities	**(2,283)**	(45)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**-**	-
Net increase in cash and cash equivalents	**-**	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**-**	-

Notes to the Financial Statements for the year ended 31 December 2012

1. STATEMENT OF ACCOUNTING POLICIES

General information

Kingspan Group plc is a public limited company registered and domiciled in Ireland, with its registered office at Dublin Road, Kingscourt, Co Cavan.

The Group's principal activities comprise the manufacture of insulated panels, rigid insulation boards, architectural façades, raised access floors, and environmental solutions.

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), which comprise standards and interpretations issued by the International Accounting Standards Board (IASB) and International Accounting Standards and Standing Interpretations Committee interpretations that have been subsequently adopted by the EU.

The Company financial statements have been prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the Companies Acts, 1963 to 2012. The Company has taken advantage of the exemption in Section 148(8) of the Companies Act 1963 from presenting to its members the Company Income Statement and related notes which form part of the approved financial statements of the Company as the Company publishes Company and Consolidated financial statements together.

Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by:

- measurement at fair value of share based payments at initial date of award;
- derivative financial instruments recognised at fair value;
- recognition of the defined benefit liability as plan assets, plus unrecognised past service cost less the present value of the defined benefit obligation.

The accounting policies set out below have been applied consistently in the periods presented in these consolidated financial statements.

These consolidated financial statements have been prepared in Euro, rounded to the nearest thousand, unless otherwise stated. The Euro is the presentation currency of the Group and the functional currency of the Company.

IFRS does not define certain Income Statement headings. For clarity, the following are the definitions as applied by the Group:

- 'Trading profit' refers to the operating profit generated by the businesses before intangible asset amortisation and gains or losses from non trading items.
- 'Non trading items' refers to material gains or losses on the disposal or acquisition of businesses and material related acquisition and integration costs, and impairments to the carrying value of intangible assets, including goodwill. It is determined by management that each of these items relate to events or circumstances that are non-recurring in nature.
- 'Operating profit' is profit before income taxes and net finance costs.

Changes in Accounting Policies and Disclosures

The following are the new standards that were effective for the Group's financial year ending 31 December 2012. They had no impact on the results or financial position as set out in the Consolidated Financial Statements.

- Disclosures – Transfers of Financial Assets (Amendments to IFRS 7)
- Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendments to IFRS 1)
- Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12)

There are a number of forthcoming requirements of IFRSs as adopted by the EU which are not yet effective and have therefore not been adopted in these financial statements. These new standards and interpretations, which are effective from the beginning of the periods outlined below, include:

- July 2012 - Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)
- January 2013 - Government Loans (Amendments to IFRS 1), Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7), IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine, Annual Improvements to IFRS 2009-2011.
- January 2014 - Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27), Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32), IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IFRS 13 Fair Value Measurement, IAS 19 Employee Benefits (amended 2011), IAS 27 Separate Financial Statements (2011), IAS 28 Investments in Associates and Joint Ventures (2011).
- January 2015 - IFRS 9 Financial Instruments

The Group does not plan to adopt these standards early and the extent of their impact has not yet been determined.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary undertakings as well as the proportionally consolidated joint ventures, drawn up to 31 December each year.

Business of consolidation

Business combinations are accounted for using the acquisition method as at the date of acquisition, which is the date on which control is transferred to the group. Control is the power to govern the financial and operating policies of an entity to gain benefits from its activities.

Notes to the Financial Statements for the year ended 31 December 2012

1. STATEMENT OF ACCOUNTING POLICIES (cont'd)

Business combinations

The fair value of consideration paid in a business combination is measured as the aggregate of the fair values at the date of exchange of assets given, liabilities incurred or assumed and equity instruments issued in exchange for control. To the extent that settlement of all or any part of a business combination is deferred, the fair value of the deferred component is determined through discounting the amounts payable to their present value at the date of exchange. The discount component is unwound as an interest charge in the Consolidated Income Statement over the life of the obligation. Where a business combination agreement provides for an adjustment to the consideration contingent on future events, the amount of the adjustment is included at its estimated fair value. Contingent Deferred Consideration is included in the acquisition Statement of Financial Position at fair value. Any subsequent adjustment to Contingent Deferred Consideration is recognised in profit or loss.

When the initial accounting for a business combination is determined provisionally, the provisional amounts of the identifiable assets, liabilities and contingent liabilities are adjusted within twelve months of the acquisition date based on further information which is obtained about conditions existing at the acquisition date.

The interest of non-controlling shareholders is initially stated at the appropriate proportion of the fair values of the assets and liabilities recognised; goodwill is not allocated to the non controlling interest. After the date of combination, the non controlling interest is allocated its share of changes in equity.

Transaction costs are expensed to the Income Statement as incurred.

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.

Goodwill arising in respect of acquisitions completed prior to 1 January 2004 (being the transition date to IFRS) is included at its deemed cost, which equates to its net book value recorded under previous GAAP. In line with the provisions applicable to a first-time adopter under IFRS, the accounting treatment of business combinations undertaken prior to the transition date was not reconsidered in preparing the opening IFRS Statement of Financial Position as at 1 January 2004, and goodwill amortisation ceased with effect from the transition date.

Pre 1 January 2010 goodwill on acquisition was initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Since 1 January 2010 the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

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. The cash-generating units represent the lowest level within the Group which generate largely independent cash inflows and these units are not larger than the operating segments (before aggregation) determined in accordance with IFRS 8 Operating Segments.

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 CGU level.

Impairment of goodwill is determined by assessing the recoverable amount of the cash-generating unit or combinations of CGUs, to which the goodwill relates. The impairment testing is performed annually and additionally at any time where an indicator of impairment is considered to exist. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Intangible Assets (other than goodwill)

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.

Notes to the Financial Statements for the year ended 31 December 2012

1. STATEMENT OF ACCOUNTING POLICIES (cont'd)

The estimated useful lives are as follows:

Customer Relationships	2-6 years
Trademarks & Brands	2-10 years
Patents	8 years
Technological know how	5-10 years

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

Subsidiaries
Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Where a subsidiary is acquired or disposed of during the financial year, the consolidated financial statements include the attributable results from or to the effective date of acquisition or disposal.

Jointly Controlled Entities
In line with IAS 31 Interests in Joint Ventures, the Group's share of results and net assets of jointly controlled entities, which are entities in which the Group holds an interest on a long-term basis and which are jointly controlled by the Group and one or more other venturers, are accounted for on the basis of proportionate consolidation from the date on which joint control is established and are derecognised when joint control ceases. The Group combines its share of the jointly controlled entities' individual income and expenses, assets and liabilities and cash flows on a line by line basis with similar items in the Consolidated Financial Statements.

Loans to jointly controlled entities are classified as loans and receivables within financial assets.

Transactions eliminated on consolidation
All intra-group balances and transactions, including unrealised profit arising from intra-group transactions, are eliminated on consolidation.

Foreign currency
Items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated to the relevant functional currency at the rate of exchange ruling at the reporting date. All currency translation differences on monetary assets and liabilities are taken to the Consolidated Income Statement.

Foreign operations
Results and cash flows of subsidiaries, including goodwill and fair value adjustments arising on acquisition, which do not have the Euro as their functional currency, are translated into Euro at actual exchange rates for the year, or average where this is a reasonable approximation, and the related Statement of Financial Position is translated at the rates of exchange ruling at the reporting date. Foreign currency differences arising on translation of the results of such subsidiaries at average rates and on the restatement of the opening net assets at closing rates, are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly owned subsidiary, the relevant proportion of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of such that control or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of the net investment in the foreign operation and are recognised in other comprehensive income, and presented in the translation reserve in equity.

Exchange rates of material currencies used were as follows:

	Average rate		Closing Rate	
Euro =	**2012**	2011	**2012**	2011
Pound Sterling	**0.811**	0.868	**0.816**	0.840
US Dollar	**1.286**	1.394	**1.319**	1.302
Canadian Dollar	**1.285**	1.377	**1.313**	1.320
Australian Dollar	**1.242**	1.350	**1.271**	1.270
Czech Koruna	**25.135**	24.530	**25.092**	25.800
Polish Zloty	**4.182**	4.100	**4.086**	4.450
Hungarian Forint	**289.200**	278.000	**292.550**	311.550

Notes to the Financial Statements for the year ended 31 December 2012

1. STATEMENT OF ACCOUNTING POLICIES (cont'd)

Impairment (other than goodwill)
For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of value in use and the fair value less costs to sell. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by management.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge on assets other than goodwill is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount, taking account of the adjustment to the amortisation charge required when the impairment loss is reversed.

Impairment losses, if applicable, are recognised in profit or loss.

Segment reporting
The Group's accounting policy for identifying segments is based on internal management reporting information that is routinely reviewed by the Chief Operating Decision Maker. The measurement policies used for the segment reporting under IFRS 8 are the same as those used in the consolidated financial statements. Segment results that are reported to the CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, finance income and expenses and tax assets and liabilities.

Inventories
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.

Income taxes
The tax expense recognised in the income statement comprises the sum of current income tax and deferred tax not recognised in other comprehensive income or directly in equity.

Current tax:
Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

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 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.

Grants
Capital grants received in respect of the purchase of property, plant and equipment are treated as a reduction in the purchase price of the property, plant and equipment. Grants received in respect of revenue expenditure are recorded in the consolidated income statement to match the relevant expenditure.
A contingent liability is disclosed for grants which have been received but where there are conditions under which the grants are partly or wholly repayable.

Notes to the Financial Statements for the year ended 31 December 2012

1. STATEMENT OF ACCOUNTING POLICIES (cont'd)

Property, Plant and Equipment

Property, plant and equipment is measured at cost less accumulated depreciation and accumulated impairment losses. Certain items of property that had been revalued to fair value prior to the date of transition to IFRS (1 January 2004) are measured on the basis of deemed cost, being the revalued amount as at the date the revaluation was performed.

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.

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. The depreciation rates generally applied on a straight line basis are:

Freehold buildings	2% on cost
Plant and machinery	5% to 20% on cost
Fixtures and fittings	10% to 20% on cost
Computer equipment	12.5% to 33% on cost
Motor vehicles	20% to 25% on cost
Leased assets	Over the period of the lease, or useful life if shorter
Leasehold property improvements	Over the period of the lease, or useful life if shorter

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

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

Assets held for sale

Non-current assets classified as held for sale are measured at the lower of their carrying amount and the fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than continued use. This condition is regarded as satisfied only when the sale is highly probable (to be completed within one year from date of classification) and the asset is available for immediate sale in its present condition. Property, plant and equipment once classified as held for sale is not depreciated.

Where assets that were previously classified as held for sale no longer meet the held for sale criteria, they are reclassified to non-current assets and an appropriate adjustment is made to depreciation to reflect the period during which depreciation was not charged.

Leases

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have transferred to the Group, are capitalised in the Consolidated Statement of Financial Position and are depreciated over their useful lives with any impairment being recognised in the Consolidated Income Statement. The asset is recorded at an amount equal to the lower of its fair value and the present value of the minimum lease payments at the inception of the finance lease. Thereafter they are accounted for in accordance with the accounting policy applicable to that category of asset. The capital elements of future obligations under leases are included in liabilities in the Consolidated Statement of Financial Position and analysed as appropriate between current and non-current amounts. The interest elements of the lease payments are charged to the Consolidated Income Statement over the periods of the relevant agreements and represent a constant proportion of the balance of capital repayments outstanding, in line with the implicit interest rate.

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease rentals are charged to the Consolidated Income Statement on a straight-line basis over the lease term.

Pension costs

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the profit or loss in the periods during which related services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

A defined benefit plan is a post employment plan other than a defined contribution plan. The Group'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; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of plan assets are deducted. The discount rate is determined by reference to market yields at the reporting date on high quality corporate bonds for a term consistent with the currency and term of the associated post-employment benefit obligations.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, 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. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on the settlement of plan liabilities. When the benefits of a plan are improved, the portion of the increased benefit related to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

The Group recognises all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefit plans in personnel expenses in profit or loss. The Group recognises gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment or settlement comprises any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation and any past service cost that had not previously been recognised.

Notes to the Financial Statements for the year ended 31 December 2012

1. STATEMENT OF ACCOUNTING POLICIES (cont'd)

Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding, adjusted for own shares held, and the effects of dilutive potential ordinary shares, arising from share entitlements exercisable by employees.

Provisions

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

In relation to warranties, a provision is recognised when the underlying product is sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

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.

Dividends

Dividends are recognised as a liability in the period in which they are declared and approved, or in the case of an interim dividend, when it has been approved by the Directors and paid.

Hedging

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from a host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related. On initial designation of a derivative as a hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship and on an ongoing basis as to, whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each· hedge are within a range of 80% - 125%. For a cash flow hedge of a forecast transaction, the likelihood of the transaction occurring must be highly probable and must present an exposure to variations in cash flows that ultimately could affect reported profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as movements in profit or loss unless they are accounted for as cash flow hedges.

Cash flow hedges

The Group utilises cash flow hedges in its treasury activities. For the purposes of hedge accounting, hedges are classified as cash flow hedges if they hedge exposure to fluctuations in future cash flows derived from a particular risk associated with a recognised asset or liability, a firm commitment or a highly probable forecast transaction.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, a firm commitment or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised as a separate component of other comprehensive income with the ineffective portion being reported as finance expense or income in the Consolidated Income Statement. If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in Other Comprehensive Income are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss. For cash flow hedges, other than those covered by the preceding statements, the associated cumulative gain or loss is removed from equity and recognised in the Consolidated Income Statement in the same period or periods during which the hedged forecast transaction affects profit or loss. The ineffective part of any gain or loss is recognised immediately in the Consolidated Income Statement.

Hedge accounting is discontinued when a hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. The cumulative gain or loss at that point remains in Other Comprehensive Income and is recognised when the transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in Other Comprehensive Income is transferred to the Consolidated Income Statement in the period.

Cash and cash equivalents

Cash and cash equivalents principally comprise cash on hand, demand bank accounts, and highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value.

Financial Assets

Financial assets other than derivatives are divided into the following categories:

- loans and receivables
- investments held at fair value through profit and loss

Trade and other receivables are initially recorded at fair value and, at subsequent reporting dates, at amortised cost. Generally, the Group recognises all financial assets using settlement day accounting. An assessment of whether a financial asset is impaired is made at least at each reporting date.

Notes to the Financial Statements for the year ended 31 December 2012

1. STATEMENT OF ACCOUNTING POLICIES (cont'd)

Receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are considered for impairment on a case by case basis (with due regard to credit insurance where in place) when they are past due at the reporting date or when objective evidence is received that a specific counterparty will default.

Financial Liabilities
Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities. Financial liabilities at fair value through profit or loss are initially measured at fair value and subsequently stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Other financial liabilities (including trade payables) are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method. When determining the fair value of financial liabilities, the expected future cash flows are discounted using an appropriate interest rate.

A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires.

Revenue
Revenue represents the value of goods supplied and excludes trade discounts, rebates and value added tax/sales tax. Revenue is recognised when the significant risks and rewards of ownership have passed to the customer, it is probable that economic benefits will flow to the Group and the amount of revenue can be measured reliably, which usually arises on delivery of the goods.

Research and Development
Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Share-Based Payment Transactions
Employees (including executive directors) of the Group 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 cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a recognised valuation methodology for the pricing of share options. The cost of equity-settled transactions is recognised over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the directors of the Group and based on the best available estimates at that date, will ultimately vest depending on the satisfaction of service and non-market performance conditions. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. No expense is recognised for awards that do not ultimately vest. The cost of all equity settled transactions is recognised in the income statements of the subsidiaries where the employees have rendered services in exchange for the grant of equity-settled share based remuneration.

Upon exercise of share options, the cash proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as share premium.

Where the Company grants options over its own shares to the employees of its subsidiaries it recognises, in its individual financial statements, an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge recognised in the Group's Consolidated Financial Statements with the corresponding credit being recognised directly in equity.

Treasury shares
Where the Company purchases its own equity share capital, the consideration paid is deducted from total shareholders' equity and classified as treasury shares until such shares are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received is included in total shareholders' equity. No gains or losses are recognised on the purchase, sale, cancellation or issue of treasury shares.

Borrowing costs
Borrowing costs primarily comprise interest on the Group's borrowings. Borrowing costs directly attributable to the acquisition, construction, or production of qualifying assets (as defined in IAS 23 Borrowing Costs), are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in Finance Income and Expense.

Significant judgements and estimation uncertainty
The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. In addition, it requires management to exercise judgement and make assumptions in the process of applying the Group's accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements, relate primarily to impairment of assets, guarantees and warranties, defined benefit pension schemes and share based payments.

Notes to the Financial Statements for the year ended 31 December 2012

1. STATEMENT OF ACCOUNTING POLICIES (cont'd)

All of the following areas require the use of significant estimates and judgements:

Impairment (Note 10)
The Group is required to review assets for objective evidence of impairment.

It does this on the basis of a review of the budget and rolling 5 year strategic plans (where appropriate), which by their nature are based on a series of assumptions and estimates.

The Group has performed impairment tests on those cash generating units or combinations of CGUs which contain goodwill, and on any assets where there are indicators of impairment. The key assumptions associated with these reviews are detailed in note 10.

Guarantees & warranties (Note 22)
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.

Defined benefit pension scheme (Note 34)
The Group has defined benefit pension obligations. The Group uses the services of professional actuaries to determine the assets and liabilities of the schemes, and certain estimates are required as part of these valuations.

Share based payments (Note 3)
The Group grants options as part of certain employees' remuneration. These options are valued under IFRS 2. The Group employs a professional valuer to assess the grant date fair value of award, and the key assumptions are set out in note 3.

At each reporting date, an assessment is made of the number of options that are considered likely to vest, and the Income Statement charge is adjusted accordingly.

Income taxes (Note 8)
The Group is subject to income tax in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities based on estimates of whether additional taxes will be due. 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 Group 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.

2. SEGMENT REPORTING

In identifying the Group's operating segments, management based its decision on the product supplied by each segment and the fact that each segment is managed and reported separately to the Chief Operating Decision Maker, which the Group has defined as the Board of Directors. These operating segments are monitored and strategic decisions are made on the basis of segment operating results.

Operating segments
The Group has the following four reportable segments:

Insulated Panels	Manufacture of insulated panels, structural framing and metal façades.
Insulation Boards	Manufacture of rigid insulation boards, building services insulation and engineered timber systems. This segment includes the Tarec joint ventures (see note 12).
Environmental	Manufacture of environmental, pollution control and renewable energy solutions.
Access Floors	Manufacture of raised access floors.

Analysis by class of business

Segment Revenue	Insulated Panels €m	Insulation Boards €m	Environmental €m	Access Floors €m	TOTAL €m
Total Revenue - 2012	840.4	470.4	163.8	154.1	**1,628.7**
Total Revenue - 2011	758.0	460.4	202.3	126.2	1,546.9

Inter-segment transfers are carried out at arm's length prices and using an appropriate transfer pricing methodology. As inter-segment revenue is not material, it is not subject to separate disclosure in the above analysis.

Notes to the Financial Statements for the year ended 31 December 2012

2. SEGMENT REPORTING (cont'd)

Segment Result (profit before finance expense)

	Insulated Panels €m	Insulation Boards €m	Environmental €m	Access Floors €m	TOTAL 2012 €m	TOTAL 2011 €m
Trading profit	61.7	29.5	1.2	15.3	**107.7**	
Intangible amortisation	(0.9)	(1.6)	(0.5)	(0.1)	**(3.1)**	
Non trading items	21.2	(10.4)	(10.7)	-	**0.1**	
Operating profit - 2012	**82.0**	**17.5**	**(10.0)**	**15.2**	**104.7**	
Trading profit	50.5	25.7	6.7	12.8		95.7
Intangible amortisation	(2.0)	(1.9)	(0.8)	(0.1)		(4.8)
Operating profit - 2011	48.5	23.8	5.9	12.7		90.9
Net finance expense					**(14.7)**	(13.1)
Profit for the year before tax					**90.0**	77.8
Income tax expense					**(15.3)**	(14.9)
Net profit for the year					**74.7**	62.9

Segment Assets

	Insulated Panels €m	Insulation Boards €m	Environmental €m	Access Floors €m	TOTAL 2012 €m	TOTAL 2011 €m
Assets - 2012	693.4	422.7	164.3	139.0	**1,419.4**	
Assets - 2011	532.5	426.2	188.2	121.6		1,268.5
Derivative financial instruments					**13.2**	17.1
Cash and cash equivalents					**141.6**	141.1
Deferred tax asset					**9.2**	7.6
Total Assets as reported in the Consolidated Statement of Financial Position					**1,583.4**	1,434.3

Segment Liabilities

	Insulated Panels €m	Insulation Boards €m	Environmental €m	Access Floors €m	TOTAL 2012 €m	TOTAL 2011 €m
Liabilities - 2012	(221.0)	(88.4)	(37.1)	(26.7)	**(373.2)**	
Liabilities - 2011	(133.6)	(97.0)	(55.3)	(24.5)		(310.4)
Interest bearing loans and borrowings (current and non-current)					**(320.2)**	(328.2)
Deferred consideration (current and non-current)					**(7.9)**	(0.8)
Income tax liabilities (current and deferred)					**(68.8)**	(60.0)
Total liabilities as reported in the Consolidated Statement of Financial Position					**(770.1)**	(699.4)

Notes to the Financial Statements for the year ended 31 December 2012

2. SEGMENT REPORTING (cont'd)

Other Segment Information

	Insulated Panels €m	Insulation Boards €m	Environmental €m	Access Floors €m	TOTAL €m
Capital Investment - 2012*	84.7	9.4	1.7	2.7	**98.5**
Capital Investment - 2011*	16.0	56.8	3.8	1.2	77.8
Depreciation included in segment result - 2012	(21.5)	(12.3)	(4.1)	(2.3)	**(40.2)**
Depreciation included in segment result - 2011	(19.6)	(11.8)	(4.2)	(2.3)	(37.9)
Non-cash items included in segment result - 2012	30.9	(12.2)	(11.9)	(0.8)	**6.0**
Non-cash items included in segment result - 2011	(1.8)	(2.0)	(1.6)	(0.8)	(6.2)

*Capital investment includes fair value of property, plant and equipment acquired in business combinations

Analysis of Segmental Data by Geography

	Republic of Ireland €m	United Kingdom €m	Rest of Europe €m	Americas €m	Others €m	TOTAL €m
Income Statement Items						
Revenue - 2012	64.6	614.7	606.0	222.6	120.8	**1,628.7**
Revenue - 2011	78.1	605.9	580.8	210.3	71.8	1,546.9
Statement of Financial Position Items						
Non-current assets - 2012	56.1	332.3	301.4	159.7	64.6	**914.1**
Non-current assets - 2011	69.7	329.1	233.5	159.8	34.0	826.1
Other segmental information						
Capital Investment - 2012	1.5	15.0	70.0	6.3	5.7	**98.5**
Capital Investment - 2011	4.3	11.2	56.3	4.9	1.1	77.8

The Group has a presence in over 70 countries worldwide. The revenues from external customers and non-current assets (as defined in IFRS 8) attributable to the country of domicile and all foreign countries or regions of operation are as set out above and specific regions are highlighted separately on the basis of materiality.

There are no material dependencies or concentrations on individual customers which would warrant disclosure under IFRS 8. The individual entities within the Group each have a large number of customers spread across various activities, end-uses and geographies.

3. EMPLOYEES

	2012 Number	2011 Number
a) Employee Numbers		
The average number of persons employed by the Group in the financial year was:		
Production	**3,532**	3,585
Sales and distribution	**1,404**	1,366
Management and administration	**818**	825
	5,754	5,776

	2012 €'000	2011 €'000
b) Employee Costs, including executive directors		
Wages and salaries	**227,151**	212,967
Social welfare costs	**27,020**	21,098
Pension costs - defined contribution	**8,285**	9,855
Pension costs - defined benefit (Note 34)	**53**	(577)
Share based payments and awards	**6,737**	7,227
	269,246	250,570
Actuarial (gain)/losses recognised in other comprehensive income	**(851)**	3,179
	268,395	253,749

Notes to the Financial Statements for the year ended 31 December 2012

3. EMPLOYEES (cont'd)

c) Employee Share Based Compensation

As at 31 December 2012 the Group maintained three share-based equity settled payment schemes for employee compensation, details of which are provided in the Report of the Remuneration Committee.

The first arrangement, the Long-Term Incentive Plan ('LTIP'), was part of the remuneration package of executive directors and senior executives. This scheme has now expired.

The second arrangement, the Standard Share Option Scheme ('SSOS'), was part of the remuneration package of key personnel. This scheme has now expired.

The third arrangement, the Performance Share Plan ('PSP'), is a new scheme which replaced the Standard Share Option Scheme.

The movement on share options and the related weighted average exercise price are as follows for the reporting periods presented:

	2012	**2012**	**2011**	**2011**
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
Outstanding at 1 January	**7,848,653**	**€3.82**	9,538,718	€7.13
Granted PSP	**1,397,657**	**€0.13**	1,627,569	€0.13
Lapsed LTIP	**(17,864)**	**€0.13**	-	-
Lapsed SSOS	**-**	**-**	(2,307,493)	€13.89
Forfeited LTIP	**-**	**-**	(227,000)	€0.13
Forfeited SSOS	**(126,872)**	**€11.68**	(390,009)	€14.56
Forfeited PSP	**(208,584)**	**€0.13**	(271,815)	€0.13
Exercised LTIP	**-**	**-**	(32,394)	€0.13
Exercised SSOS	**(595,684)**	**€4.35**	(88,923)	€3.21
Exercised PSP	**(930,312)**	**€0.13**	-	-
Outstanding at 31 December	**7,366,994**	**€3.52**	7,848,653	€3.82

The weighted average share price at date of exercise of options during the year was €7.80 (2011: €6.51).

Earliest exercise date	**2012 Number of Options**	**2012 Weighted average exercise price**	**2012 Weighted average remaining contractual life**
2013 Option Range			
LTIP			
€0.13	-	-	-
SSOS			
€3.30 - €9.35	961,296	€5.82	1.7
€10.90 - €14.18	1,546,200	€12.76	3.2
	2,507,496	€10.10	2.7
PSP			
€0.13	2,030,370	€0.13	3.9
2014 Option Range			
PSP			
€0.13	1,475,357	€0.13	5.2
2015 Option Range			
PSP			
€0.13	1,353,771	€0.13	6.2

Notes to the Financial Statements for the year ended 31 December 2012

3. EMPLOYEES (cont'd)

Earliest exercise date	2011 Number of Options	2011 Weighted average exercise price	2011 Weighted average remaining contractual life
2012 Option Range			
LTIP			
€0.13	17,864	€0.13	0.7
SSOS			
€1.35 - €3.30	304,284	€2.79	1.5
€5.65 - €9.35	1,302,696	€5.99	2.8
€10.90 - €17.82	1,623,235	€12.78	4.3
	3,230,215	€9.10	3.4
PSP			
€0.13	1,612,544	€0.13	4.3
2013 Option Range			
PSP			
€0.13	1,422,626	€0.13	5.2
2014 Option Range			
PSP			
€0.13	1,565,404	€0.13	6.2

664,471 of the PSP options and all of the 2,507,496 SSOS options were exercisable at December 2012 (2011: 17,864 LTIP options and 3,230,215 SSOS options).

The fair values of options granted under the PSP scheme during the current and prior year were determined using the Black Scholes Model, or the Monte Carlo Pricing Model as appropriate. The key assumptions used in the model were as follows:

	2012 Awards	2011 Awards
Share price at grant date	€8.05	€6.20
Exercise price per share	€0.13	€0.13
Expected volatility	50%	57%
Expected dividend yield	1.37%	1.61%
Risk-free rate	0.70%	2.40%
Expected life	3 years	3 years

Expected volatility was determined by calculating the historical volatility of the Group and peer company share prices over the previous 3 years.

The resulting weighted average fair value of options granted in the year was €6.67 (2011: €4.94).

The Group recognised an expense of €6,737,000 (2011: expense of €5,427,000) related to equity settled share-based payment transactions in the Consolidated Income Statement during the year.

4. NON TRADING ITEMS

	€'000
Negative goodwill	**34,458**
Acquisitions related costs	**(13,176)**
Impairment of goodwill & intangibles	**(21,170)**
	112

Negative goodwill represents the excess of the fair value of the acquired net assets in the Thyssenkrupp Construction Group (TKCG) over the consideration paid to acquire the business. The excess has been recorded as a credit to the Income Statement in line with IFRS3 (2008) 'Business Combinations'. Further details on the fair value of the assets and liabilities acquired are set out in note 24.

Acquisition related costs relate to the legal and other due diligence costs incurred in acquiring TKCG. In addition, the Group incurred costs in integrating the acquisition into the Group's operations and structures.

The impairment of goodwill and intangibles arises as a result of the annual goodwill impairment review required under IAS36. It relates to the Group's timberframe and renewable activities which are respectively part of the Insulation Boards and Environmental cash generating units. Further details are set out in note 10.

The tax effect of the above items was a credit of €1.5m. This amount has been included in the income tax expense for the year.

Notes to the Financial Statements for the year ended 31 December 2012

5. FINANCE EXPENSE AND FINANCE INCOME

	2012 €'000	2011 €'000
Finance expense		
Bank Loans	**3,302**	4,598
Private Placement	**12,414**	8,977
Finance leases	**8**	68
Fair value movement on derivative financial instrument	**2,872**	(13,245)
Fair value movement on private placement debt	**(3,269)**	13,575
	15,327	13,973
Finance income		
Interest earned	**(607)**	(252)
Net defined benefit pension scheme	**17**	(577)
	(590)	(829)
Net finance cost	**14,737**	13,144

No borrowing costs were capitalised during the year (2011: €nil).

6. PROFIT FOR THE YEAR BEFORE TAX

	2012 €'000	2011 €'000
The profit for the year is stated after charging / (crediting):		
Distribution expenses	**86,765**	82,965
Operating lease payments	**5,464**	3,946
Product development costs (total, including payroll)	**13,638**	12,225
Depreciation	**40,159**	37,914
Amortisation of intangible assets	**3,125**	4,745
Foreign exchange loss/(gain)	**653**	(679)
Profit on sale of property, plant and equipment	**(182)**	(771)
Auditor's Remuneration		
Audit	**1,375**	1,015
Tax compliance and advisory	**381**	340
Other Assurance	**143**	23

Remuneration to Group external auditors (KPMG Ireland)

In accordance with the requirements of Regulation 120 of Statutory Instrument 220/2010, 'European Communities (Statutory Audits) (Directive 2006/43/EC) Regulations 2010', auditor remuneration analysed between fees paid to KPMG Ireland and to other KPMG worldwide offices was as follows:

Analysis of total auditor's remuneration for audit services

	2012 €'000	2011 €'000
Audit of Group (KPMG Ireland)	**493**	530
Audit of other subsidiaries (KPMG Ireland)	**50**	50
Audit of other subsidiaries (other KPMG offices)	**832**	435
Total	**1,375**	1,015

Analysis of amounts paid to the auditor in respect of non-audit services

	2012 €'000	2011 €'000
Tax compliance and advisory services (KPMG Ireland)	**77**	86
Tax compliance and advisory services (other KPMG offices)	**304**	254
Other assurance services (KPMG Ireland)	**3**	23
Other assurance services (other KPMG offices)	**140**	-
Total	**524**	363

Notes to the Financial Statements for the year ended 31 December 2012

7. DIRECTORS' REMUNERATION

	2012 €'000	2011 €'000
Fees	**581**	541
Other emoluments	**4,639**	5,916
Compensation for loss of office	**-**	601
Cost of share based payments and awards	**1,413**	3,053
	6,633	10,111

A detailed analysis of Directors' remuneration is contained in the Report of the Remuneration Committee.

8. INCOME TAX EXPENSE

The charge for taxation, based on profits for the year, comprises:

Tax recognised in the Consolidated Income Statement	**2012 €'000**	2011 €'000
Current taxation:		
Current tax expense	**22,461**	19,641
Adjustment in respect of prior years	**(4,451)**	(3,848)
	18,010	15,793
Deferred taxation:		
Origination and reversal of temporary differences	**(483)**	(309)
Effect of tax rate change	**(2,253)**	(590)
Total deferred tax expense	**(2,736)**	(899)
Income tax expense	**15,274**	14,894

The following table reconciles the applicable Republic of Ireland statutory tax rate to the effective tax rate (current and deferred) of the Group:

Reconciliation of average effective tax charge to applicable tax charge	**2012 €'000**	2011 €'000
Profit before tax	**89,952**	77,764
Less share of joint ventures	**(1,226)**	(1,287)
	88,726	76,477
Applicable notional tax charge (12.5%)	**11,091**	9,560
Expenses not deductible for tax purposes	**13,060**	6,221
Items not subject to tax	**(4,183)**	-
Net effect of differing tax rates	**1,873**	2,926
Impact of change in tax rates	**(2,253)**	(590)
Other items	**(4,314)**	(3,223)
Total effective tax charge	**15,274**	14,894

The total tax charge in future periods will be affected by any changes to the corporation tax rates in force in the countries in which the Group operates. No significant change is expected to the standard rate of corporation tax in the Republic of Ireland which is currently 12.5%. The standard rate of corporation tax in the UK reduced from 26% to 24% on 1 April 2012. Furthermore, Finance Act 2012 was substantively enacted on 17 July 2012 and provided for a reduction in the corporate income tax rate to 23% from 1 April 2013. Deferred tax balances must be recognised at the future tax rate applicable when the balance is expected to unwind. As such, the rate reduction to 23% is reflected in the closing deferred tax balance. A deferred tax benefit of €2,253,000 has been recognised in the Consolidated Income Statement as a result of this change in rate for year ended 31 December 2012. Further reductions in the corporate tax rate of 1% per annum reaching 21% on 1 April 2014 have been announced. The Finance Act 2012 did not include these additional rate reductions so they are not substantively enacted and therefore not reflected in the closing deferred tax balance.

The total value of deductible temporary differences which have not been recognised is €7.8m consisting mainly of tax losses forward (2011: €9.0m). €1.4m of the losses expire within 20 years while all other losses may be carried forward indefinitely.

No provision has been made for tax in respect of unremitted earnings as there is no commitment to remit earnings.

Notes to the Financial Statements for the year ended 31 December 2012

9. EARNINGS PER SHARE

	2012 €'000	2011 €'000
The calculations of earnings per share are based on the following:		
Profit attributable to ordinary shareholders	**73,526**	61,835

	Number of shares ('000) 2012	Number of shares ('000) 2011
Weighted average number of ordinary shares for the calculation of basic earnings per share	**167,698**	166,631
Dilutive effect of share options	**3,501**	3,188
Weighted average number of ordinary shares for the calculation of diluted earnings per share	**171,199**	169,819

	2012 € cent	2011 € cent
Basic earnings per share	**43.8**	37.1
Diluted earnings per share	**42.9**	36.4
Adjusted basic (pre amortisation and non trading items) earnings per share	**44.7**	40.0

The number of options which are anti-dilutive and have therefore not been included in the above calculations is 1,616,200 (2011: 1,727,597).

10. GOODWILL

	2012 €'000	2011 €'000
At 1 January	**373,959**	318,216
Additions relating to current year acquisitions (note 24)	**29,428**	49,115
Impairment	**(20,813)**	-
Net exchange difference	**2,853**	6,628
Carrying amount 31 December	**385,427**	373,959
At 31 December		
Cost	**448,888**	416,607
Accumulated impairment losses	**(63,461)**	(42,648)
Net carrying amount	**385,427**	373,959

Impairment Testing

Goodwill is tested for impairment at the same level as it is monitored by management for internal reporting purposes, which is either at the individual or combination CGU level. For this purpose, 11 CGUs have been identified in the Group (2011: 11). During the year an additional CGU arose following the Rigidal acquisition. However two former CGUs (Environmental and Hot Water Systems / Renewables) merged following significant restructuring of the operation of these CGUs such that for these businesses the lowest level within the Group which generate largely independent cash inflows is now considered to be the Environmental Segment.

The 11 CGUs convert into 7 for the purposes of the goodwill impairment exercise, because the Offsite Timberframe CGU and the Australian Insulation Boards CGU are both tested as part of the Insulation Boards goodwill impairment test and the Australia/New Zealand Panels CGU is tested as part of the Insulated Panels goodwill impairment test, to reflect the manner in which the related goodwill is monitored by management for internal reporting purposes.

Segments	**No. of CGUs**	**Name of CGUs**
Insulated Panels	5	Panels Western Europe,Panels CEMEI, Panels North America, Panels Australia/New Zealand, Rigidal
Insulation Boards	3	Insulation, Insulation Australia, Offsite Timberframe
Environmental	1	Environmental
Access Floors	2	Access Floors Europe, Access Floors North America
Total cash-generating units	11	

Notes to the Financial Statements for the year ended 31 December 2012

10. GOODWILL (cont'd)

The impairment testing for the CGUs (combination of CGUs) is carried out at the following level:

Impairment Testing Level	CGUs included
1. Panels Western Europe	Panels Western Europe, Panels Aus/NZ and Rigidal
2. Panels CEMEI	Panels CEMEI
3. Panels North America	Panels North America
4. Insulation Boards	Insulation - Insulation Australia - Offsite Timberframe
5. Environmental	Environmental
6. Access Floors Europe	Access Floors Europe
7. Access Floors North America	Access Floors North America

Impairment testing methodology

The recoverable amounts of the CGUs are determined from value-in-use calculations based on 5 year financial forecasts approved by the Board of Directors, with year 1 extracted from budget and years 2-5 extracted from the Strategic Plan. The cash flow projections are based on projected results of the individual cash generating units. They include assumptions regarding future organic growth and allow for negative growth in some CGU's in certain years. Cash flows after year 5 are assumed to continue in perpetuity at a rate of 2% reflecting inflation. Sensitivity analysis is carried out on all budgets and strategic plans used in the calculations.

The discount factor is based on a weighted average cost of capital incorporating relevant government bonds for the risk-free rate, equity risk premium and cost of debt appropriate to the Group.

The discount rate applied reflects the specific risks of each CGU (or combination of CGUs). The discount rate used is between 9.3% and 10.3%. The higher discount rates are used in potentially higher risk markets such as Eastern Europe, while a lower rate is applied to more stable markets such as Western Europe and North America.

The key assumptions for these forecasts include management's estimates of revenue growth, future profitability and level of working capital required to support trading, together with future capital expenditure requirements. These assumptions are consistent with the prior year. Different sensitivity assumptions are used for those CGUs or combinations of CGUs where the associated goodwill is greater than 20% of the total.

Due to a downturn in trading performance in certain units of the Group's timberframe and renewables businesses, the Group completed its goodwill impairment exercise at a lower level than that at which goodwill is monitored for internal reporting. These impairment reviews resulted in an impairment charge of €10.4m in the Insulation Boards CGU and €10.4m in the Environmental CGU. The total charge of €20.8m has been included within non trading items in the Consolidated Income Statement (2011: nil).

Other than as set out above, the impairment testing carried out on the goodwill at 31 December 2012 identified significant headroom in the recoverable amount of the related CGUs as compared to their carrying value.

Sensitivity analysis

Sensitivity analysis is performed by flexing the following key assumptions:

- 10% change in annual average growth rate of sales with related reduction in the EBITDA margin

+/- 1-2% change in discount rate applied to cash flows

The key sensitivity for the impairment calculations is the growth in sales and EBITDA margin. Applying these assumptions, no impairment would arise in 2012.

Significant Goodwill

CGUs or combinations of CGUs for which the carrying amount of goodwill is significant for the purposes of impairment testing in comparison with the Group's total carrying amount of goodwill are deemed by management to be as follows:

	Panels North America		Panels Western Europe		Insulation Boards	
	2012 €'000	2011 €'000	**2012 €'000**	2011 €'000	**2012 €'000**	2011 €'000
Carrying amount of goodwill (€'000)	**76,185**	76,724	**85,871**	65,111	**91,557**	96,467
Basis upon which recoverable amount assessed	discounted cash flows		discounted cash flows		discounted cash flows	
Discount rate	**9.3%**	9.3%	**9.3%**	9.3%	**9.3%**	9.3%

Forecast EBITDA in Panels North America, Panels Western Europe and Insulation would need to reduce by 32%, 70% and 36% respectively for an impairment to arise.

Notes to the Financial Statements for the year ended 31 December 2012

11. OTHER INTANGIBLE ASSETS

As at 31 December 2012

Cost	Customer Relationships €'000	Patents & brands €'000	Other intangibles €'000	Total €'000
At 1 January	12,940	19,581	4,094	**36,615**
Acquisitions through business combination (note 24)	514	13,060	1,556	**15,130**
Net exchange difference	68	244	(83)	**229**
At 31 December	13,522	32,885	5,567	**51,974**
Accumulated amortisation				
At 1 January	(6,992)	(17,057)	(4,036)	**(28,085)**
Charge for year	(1,328)	(1,524)	(273)	**(3,125)**
Impairment	-	(357)	-	**(357)**
Net exchange difference	(67)	(184)	97	**(154)**
At 31 December	(8,387)	(19,122)	(4,212)	**(31,721)**
Net book value	5,135	13,763	1,355	**20,253**

As at 31 December 2011

Cost	Customer Relationships €'000	Patents & brands €'000	Other intangibles €'000	Total €'000
At 1 January	6,538	18,668	4,105	29,311
Acquisitions through business combination (note 24)	6,200	658	-	6,858
Net exchange difference	202	255	(11)	446
At 31 December	12,940	19,581	4,094	36,615
Accumulated amortisation				
At 1 January	(3,909)	(15,119)	(3,826)	(22,854)
Charge for year	(2,837)	(1,699)	(209)	(4,745)
Net exchange difference	(246)	(239)	(1)	(486)
At 31 December	(6,992)	(17,057)	(4,036)	(28,085)
Net book value	5,948	2,524	58	8,530

Notes to the Financial Statements for the year ended 31 December 2012

12. JOINTLY CONTROLLED ENTITIES

The following are jointly controlled entities, in which the Group holds 50% of the voting shares, and which have been incorporated into the Consolidated Financial Statements using the proportionate consolidation method of accounting.

- Kingspan Tarec Industrial Insulation Limited
- Kingspan Tarec Industrial Insulation NV

The aggregate amounts relating to these entities that have been included in the Consolidated Financial Statements are as follows:

	2012 €'000	2011 €'000
Revenue	**16,803**	17,629
Cost of sales	**(12,620)**	(12,680)
Gross profit	**4,183**	4,949
Operating costs	**(2,953)**	(3,658)
Profit for the year before income tax	**1,230**	1,291
Income tax expense	**(4)**	(3)
Net result for the year	**1,226**	1,288
Non-current assets	**5,698**	4,975
Current assets	**6,033**	6,412
	11,731	11,387
Non-current liabilities	**(1,715)**	(1,754)
Current liabilities	**(4,515)**	(5,899)
	(6,230)	(7,653)

13. PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2012	**Land and buildings €'000**	**Plant and machinery €'000**	**Motor vehicles €'000**	**Total €'000**
Cost or valuation	**372,859**	**729,804**	**16,507**	**1,119,170**
Accumulated depreciation and impairment charges	**(92,023)**	**(506,669)**	**(12,422)**	**(611,114)**
Net carrying amount	**280,836**	**223,135**	**4,085**	**508,056**
At 1 January 2012, net carrying amount	231,791	207,761	3,688	**443,240**
Acquisitions through business combinations (note 24)	49,621	13,517	900	**64,038**
Additions	2,663	30,506	1,281	**34,450**
Disposals	(631)	(1,283)	(350)	**(2,264)**
Reclassification	267	(330)	63	**-**
Depreciation charge for year	(7,514)	(31,147)	(1,498)	**(40,159)**
Impairment charge for year	(485)	-	-	**(485)**
Effect of movement in exchange rates	5,124	4,111	1	**9,236**
At 31 December 2012, net carrying amount	**280,836**	**223,135**	**4,085**	**508,056**

Notes to the Financial Statements for the year ended 31 December 2012

13. PROPERTY, PLANT AND EQUIPMENT (cont'd)

As at 31 December 2011	Land and buildings €'000	Plant and machinery €'000	Motor vehicles €'000	Total €'000
Cost or valuation	291,221	600,689	13,522	905,432
Accumulated depreciation and impairment charges	(59,430)	(392,928)	(9,834)	(462,192)
Net carrying amount	231,791	207,761	3,688	443,240
At 1 January 2011, net carrying amount	214,657	190,436	3,539	408,632
Acquisitions through business combinations (note 24)	25,340	23,334	300	48,974
Additions	4,196	22,620	1,977	28,793
Disposals	(1,178)	(1,765)	(425)	(3,368)
Reclassification	(2,995)	2,971	24	-
Depreciation charge for year	(7,316)	(28,995)	(1,603)	(37,914)
Impairment charge for year	(1,182)	(520)	-	(1,702)
Reanalysed as 'held for sale' (Note 17)	(232)	-	-	(232)
Effect of movement in exchange rates	501	(320)	(124)	57
At 31 December 2011, net carrying amount	231,791	207,761	3,688	443,240

The carrying amounts and depreciation of assets held under finance leases included above is as follows:

	€
Net Book Value	6,972,000 (2011: €101,000)
Depreciation	32,000 (2011: €49,000)

Included within the cost of plant and machinery are assets in the course of construction to the value of €11,560,000 (2011: €9,758,000). These assets have not yet been depreciated.

Included within the cost of land and buildings are assets in the course of construction to the value of €505,000 (2011: €nil).

14. INVESTMENTS IN SUBSIDIARIES

COMPANY

	2012 €'000	2011 €'000
Investments in Subsidiaries:		
At 1 January	**1,086,616**	1,079,390
Share options and awards	**6,737**	7,226
At 31 December	**1,093,353**	1,086,616

The share options and awards addition reflects the cost of share based payments attributable to subsidiary undertakings, which are treated as capital contributions by the parent.

15. INVENTORIES

	2012 €'000	2011 €'000
Raw materials and consumables	**148,543**	117,712
Work in progress	**6,792**	5,595
Finished goods	**68,589**	58,756
Inventory impairment allowance	**(32,630)**	(21,402)
At 31 December	**191,294**	160,661

A total of €947.3m (2011: €943.6m) of inventories was included in the Consolidated Income Statement as an expense. This includes an amount of €1m arising from the net write down of inventories (2011: €3m). Inventory impairment allowance levels are continuously reviewed by management and revised where appropriate, taking account of the latest available information on the recoverability of carrying amounts.

No inventories have been pledged as security for liabilities entered into by the Group.

Notes to the Financial Statements for the year ended 31 December 2012

16. TRADE AND OTHER RECEIVABLES

	2012 €'**000**	2011 €'000
Amounts falling due within one year:		
Trade receivables, gross	**333,250**	289,469
Impairment allowance	**(40,750)**	(25,131)
Trade receivables, net	**292,500**	264,338
Other receivables	**11,496**	4,410
Prepayments	**9,965**	13,054
	313,961	281,802

The maximum exposure to credit risk for trade and other receivables at the reporting date is their carrying amount.

The Group's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were determined to be impaired and a total impairment allowance of €40.8m (2011: €25.1m) has been recorded accordingly. The movement on the impairment allowance for the year is as follows:

	2012 €'**000**	2011 €'000
At 1 January	**25,131**	20,158
Effect of movement in exchange rates	**274**	160
Arising on current year acquisitions	**16,720**	1,457
Provided during the year	**9,368**	8,769
Written off during the year	**(5,146)**	(3,504)
Released during the year	**(5,597)**	(1,909)
At 31 December	**40,750**	25,131

There are no material dependencies or concentrations on individual customers which would warrant disclosure under IFRS8. The individual entities within the Group each have a large number of customers spread across various activities, end uses and geographies. Approximately 65% of net receivables are covered by credit insurance or other forms of collateral such as letters of credit or bank guarantees.

Aged Analysis

The aged analysis of gross trade receivables, analysed between amounts that were neither past due nor impaired and amounts past due but not impaired at the year end, was as follows:

	2012 €'**000**	2011 €'000
Neither past due nor impaired		
- Invoice date less than 90 days	**185,588**	184,721
- Invoice date greater than 90 days	**1,603**	3,501
Past due but not impaired		
- 0 to 60 days overdue	**77,719**	45,865
- 60+ days overdure	**22,427**	30,134
Past due and impaired (fully or partially)	**45,913**	25,248
	333,250	289,469

The carrying amount of receivables whose terms have been renegotiated, that would otherwise be past due or impaired is €nil (2011: €nil). The Directors consider that the carrying amount of trade and other receivables approximate to their fair value.

17. ASSETS HELD FOR SALE

	2012 €'**000**	2011 €'000
Property:		
Insulation Boards	**165**	160
Environmental	**239**	232
	404	392

Notes to the Financial Statements for the year ended 31 December 2012

17. ASSETS HELD FOR SALE (cont'd)

	2012 €'**000**	2011 €'000
Opening Balance	**392**	1,658
Reclassified from property, plant and equipment	**-**	232
Acquired during the year	**1,100**	23,008
Disposals	**(1,100)**	(24,545)
Effect of movement in exchange rates	**12**	39
Closing Balance	**404**	392

Included in the movements during 2012 is an installation business acquired as part of the Thyssenkrupp Construction Group acquisition which was subsequently disposed of for €1.1m. During 2011 two of the acquired CIE entities were both acquired and subsequently disposed of, at a value of €23m.

The sale of the above properties has been assessed as highly probable. The disposals are expected to be completed on or before 31 December 2013.

18. TRADE AND OTHER PAYABLES

Amounts falling due within one year	**2012** €'**000**	2011 €'000
Trade payables	**151,078**	123,723
Accruals	**134,171**	110,304
Deferred income	**185**	619
Irish income tax & social welfare	**288**	515
Other income tax & social welfare	**8,102**	9,906
Value added tax	**3,772**	7,988
	297,596	253,055

The Directors consider that the carrying amount of trade and other payables approximate to their fair value.

19. INTEREST BEARING LOANS AND BORROWINGS

	2012 €'**000**	2011 €'000
Current financial liabilities		
Bank loans and overdrafts (unsecured)	**3,236**	10,233
Finance lease obligations	**513**	197
	3,749	10,430

	2012 €'**000**	2011 €'000
Non-current financial liabilities		
Private placements	**313,957**	315,111
Bank loans (unsecured)	**522**	874
Finance lease obligations	**116**	-
Other loans	**1,623**	1,811
	316,218	317,796

Analysis of Net Debt	**2012** €'**000**	2011 €'000
Cash and cash equivalents	**141,611**	141,067
Derivative financial instruments	**12,827**	17,070
Current borrowings	**(3,749)**	(10,430)
Non current borrowings	**(316,218)**	(317,796)
Total net debt	**(165,529)**	(170,089)

Notes to the Financial Statements for the year ended 31 December 2012

19. INTEREST BEARING LOANS AND BORROWINGS (cont'd)

Net debt, which is a non GAAP measure, is stated net of interest rate and currency hedges which relate to hedges of debt. Foreign currency derivatives of €0.24m which are used for transactional hedging are not included in the definition of net debt.

More details of the Group's loans and borrowings are set out in note 21.

20. DEFERRED CONTINGENT CONSIDERATION

For each acquisition for which deferred consideration has been provided, an annual review takes place to evaluate if the payment conditions are likely to be met.

The movement in the provision is analysed as follows:

	2012	2011
	€'000	€'000
Opening balance	**824**	2,781
Effect of movement in exchange rates	**15**	83
Arising on current year acquisitions (note 24)	**7,498**	362
Released during year	**(2)**	(15)
Amounts paid	**(477)**	(2,387)
Closing balance	**7,858**	824

Of the amount due at the reporting date, €7,352,000 is due after one year (2011: €344,000).The Group anticipates that this will be paid within 2 years of the reporting date. Discounting of the non-current element has not been applied because the discount would be immaterial.

The contingent element of the deferred consideration liability is based on a series of trading performance targets, and is adjusted by the application of a range of outcomes and associated probabilities in order to determine the carrying amount.

21. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Financial Risk Management

In the normal course of business, the Group has exposure to a variety of financial risks, including foreign currency risk, interest rate risk, liquidity risk, and credit risk. The Group's focus is to understand these risks and to put in place policies that minimise the economic impact of an adverse event on the Group'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.

The Group's risk management strategies include the usage of derivatives (other than for speculative transactions), principally forward exchange contracts, interest rate swaps, and cross currency interest rate swaps.

Liquidity risk

In addition to the high level of free cash flow, the Group operates a prudent approach to liquidity management using a mixture of long-term debt together with short-term debt, cash and cash equivalents, to meet its liabilities when due.

The Group's core funding is provided by two private placements totalling US $400m, of which US $158m matures in March 2015, US $42m matures in March 2017 and a further US $200m matures in 2021.

In addition the Group has a committed revolving credit facility of €300m maturing in April 2017. This facility was renegotiated during the year and replaces a €330m revolving credit facility which was to mature in September 2013. The facility is fully undrawn at year end. Both the private placements and the revolving credit facility have an interest cover test (Net Interest: EBITDA must exceed 4 times) and a net debt test (Net Debt: EBITDA must be less than 3.5 times). In addition, the revolving credit facility has a requirement that the Group's net assets must exceed €400m. These covenant tests have been met for the covenant test period to 31 December 2012.

The Group also has in place a number of uncommitted bilateral working capital facilities to serve its working capital requirements. These facilities total c. €56m (2011: €51m) and are generally supported by a Group guarantee.

Notes to the Financial Statements for the year ended 31 December 2012

21. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (cont'd)

The following are the carrying amounts and contractual maturities of financial liabilities (including estimated interest payments):

	Carrying amount 2012 €'000	Contractual cash flow €'000	Within 1 year €'000	Between 1 and 2 years €'000	Between 2 and 5 years €'000	Greater than 5 years €'000
Non derivative financial instruments						
Bank loans	3,758	3,818	3,428	390	-	-
Private placement loan notes	313,957	400,809	15,965	15,921	183,067	185,856
Other loans	1,623	1,623	-	-	-	1,623
Finance lease liabilities	629	713	589	124	-	-
Trade and other payables	297,596	297,596	297,596	-	-	-
Deferred consideration	7,858	7,858	506	7,352	-	-
Derivative financial liabilities / (assets)						
Interest rate swaps used for hedging:						
Carrying Values	(3,410)					
Net Inflows		3,728	737	781	1,783	427
Cross currency interest rate swaps used for hedging:						
Carrying Value	(9,418)					
- outflow		292,240	9,217	9,054	166,669	107,300
- inflow		307,001	12,620	12,577	173,033	108,771
Foreign exchange forwards used for hedging:						
- Carrying Value Assets	(437)					
- Carrying Value Liabilities	193					
- outflow		44,451	44,451	-	-	-
- inflow		44,621	44,621	-	-	-

	Carrying amount 2011 €'000	Contractual cash flow €'000	Within 1 year €'000	Between 1 and 2 years €'000	Between 2 and 5 years €'000	Greater than 5 years €'000
Non derivative financial instruments						
Bank loans	11,109	11,276	10,255	653	368	-
Private placement loan notes	315,111	419,104	15,981	16,069	160,028	227,026
Other loans	1,809	1,809	94	-	-	1,715
Finance lease liabilities	197	197	197	-	-	-
Trade and other payables	253,055	253,055	253,055	-	-	-
Deferred consideration	824	824	480	344	-	-
Derivative financial liabilities / (assets)						
Interest rate swaps used for hedging						
Carrying value	(2,664)					
Net inflows		3,014	733	679	1,445	157
Cross currency interest rate swaps used for hedging:						
Carrying value	(14,407)					
- outflow		303,661	9,568	9,461	141,537	143,095
- inflow		323,769	12,699	12,787	150,182	148,101
Foreign exchange forwards used for hedging:						
Carrying value assets	(39)					
Carrying value liabilities	21					
- outflow		53,356	53,356	-	-	-
- inflow		53,571	53,571	-	-	-

For provisions, the carrying amount represents the Group's best estimate of the expected future outflows. As it does not represent a contractual liability at the year end, no amount has been included as a contractual cash flow.

Notes to the Financial Statements for the year ended 31 December 2012

21. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (cont'd)

Foreign exchange risks

There are two types of foreign currency risk to which the Group is exposed, namely transaction risk and translation risk.

Transaction risk

This arises where operating units have input costs or sales in currencies other than their functional currencies. These exposures are internally hedged as far as possible and, to the extent that they are not, such material residual exposures are hedged on a rolling 12-month basis. The Group's principal exposure relates to GBP and USD, with less significant exposures to certain central European currencies.

In addition, where operating entities carry monetary assets and liabilities at year end denominated other than in their functional currency, its translation at the year end rate of exchange versus their functional currency will give rise to foreign currency gains and losses.

Based on current cashflow projections for the existing businesses to 31 December 2013, it is estimated that the Group is long c. GBP£55m. At 31 December 2012 hedges were in place covering c.55% of this exposure. The Group is short c.USD$33m. At 31 December 2012 hedges were in place covering 30% of this exposure.

Translation risk

This exists due to the fact that the Group has operations whose functional currency is not the Euro, the Group's presentational currency. Changes in the exchange rate between the reporting currencies of these operations and the Euro, have an impact on the Group's consolidated reported result. For 2012, the impact of changing currency rates versus Euro compared to the average 2011 rates was positive €6.5m. In common with many other international groups, the Group does not currently seek to externally hedge its translation exposure.

Sensitivity analysis for primary currency risk

A 10% volatility of the EUR against GBP and USD in respect of transaction risk in the reporting entities functional currency would impact reported after tax profit by €3.8m (2011: €8m) and equity by €3.3m (2011: €8m).

US Dollar Loan Notes

2005 Private Placement

The Group has a Private Placement of US$158m fixed interest 10-year bullet repayment loan notes maturing on 29 March 2015 and US$42m fixed interest 12-year bullet repayment loan notes maturing on 29 March 2017. The Group has entered into US dollar fixed/Euro fixed cross currency interest rate swaps for the full amount of the private placement with semi-annual interest payments with a weighted average interest rate of 4.15%. The maturity dates of these cross currency interest rate swaps is identical to the maturity dates of the private placement debt.

These cross currency interest rate swaps have been designated as Cashflow Hedges under the IAS 39 hedge accounting rules, thereby removing any significant volatility from reported earnings.

2011 Private Placement

In August 2011 the Group issued a second Private Placement of US$200m fixed interest 10 year bullet repayment loan notes maturing in August 2021. In order to align the Group's debt profile with its risk management strategy the Group entered into a number of hedging transactions in order to mitigate the associated foreign exchange and interest rate exposures. The Group entered into US dollar fixed / GBP floating cross currency interest rate swaps for US $118.6m of the Private Placement. The benchmark interest rate and credit spread have been separately identified and designated for hedge accounting purposes. The Group also entered into US $ interest rate swaps for US $40m of the Private Placement. The fixed rate and maturity date on the swaps match the fixed rate on the Private Placement for all instruments. The instruments were designated as hedging instruments at inception and continued to qualify as effective hedges under IAS 39 at 31 December 2012.

Interest Rate Risk

The Group has an exposure to movements in interest rates on its debt portfolio, and on its cash and cash equivalent balances and derivatives. The Group policy is to ensure that at least 40% of its debt is fixed rate.

In respect of interest bearing loans and borrowings, the following table indicates the effective average interest rates at the year-end and the periods over which they mature. Interest on interest bearing loans and borrowings classified as floating rate is repriced at intervals of less than one year. The table further analyses interest bearing loans and borrowings by currency and fixed/floating mix and has been prepared after the impact of derivatives.

Notes to the Financial Statements for the year ended 31 December 2012

21. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (cont'd)

As at 31 December 2012

	Weighted average effective interest rate	Total €'000	At fixed interest rate €'000	At floating interest rate €'000	Under 5 years €'000	Over 5 years €'000
Bank overdrafts	5.50%	385	-	385	385	-
Bank loans	4.40%	3,373	1,905	1,468	3,373	-
Loan notes	4.14%	313,957	182,970	130,987	151,591	162,366
Other loans	0%	1,623	1,623	-	-	1,623
		319,338	**186,498**	**132,840**	**155,349**	**163,989**

	Total €'000	At fixed interest rate €'000	At floating interest rate €'000
Euro	156,313	155,119	1,194
GBP	97,259	-	97,259
USD	65,106	31,379	33,727
Others	660	-	660
	319,338	**186,498**	**132,840**

As at 31 December 2011

	Weighted average effective interest rate	Total €'000	At fixed interest rate €'000	At floating interest rate €'000	Under 5 years €'000	Over 5 years €'000
Bank overdrafts	5.00%	3,693	-	3,693	3,693	-
Bank loans	2.30%	7,416	5,561	1,855	7,416	-
Loan notes	4.20%	315,111	185,396	129,715	121,344	193,767
Other loans	0%	1,809	1,752	57	1,809	-
		328,029	**192,709**	**135,320**	**134,262**	**193,767**

	Total €'000	At fixed interest rate €'000	At floating interest rate €'000
Euro	158,011	157,938	73
GBP	96,321	-	96,321
USD	70,019	34,771	35,248
Others	3,678	-	3,678
	328,029	**192,709**	**135,320**

Weighted average maturity of debt in years ***4.9 years as at 31 December 2012***

An increase or decrease of 100 basis points in each of the applicable rates and interest rate curves would impact reported after tax profit by €1.3m (2011: €1.4m) and equity by €1.3m (2011: €1.4m).

Credit risk

Credit risk encompasses the risk of financial loss to the Group of counterparty default in relation to any of its financial assets. The Group's maximum exposure to credit risk is represented by the carrying value of each financial asset:

	2012 €'000	2011 €'000
Cash & cash equivalents	**141,611**	141,067
Trade and other receivables	**313,961**	281,802
Derivative financial assets	**13,265**	17,110

Analysis of trade receivables and the movement on impairment allowances is set out in note 16.

Cash & cash equivalents

On the Group's cash and cash equivalents, counterparty risk is managed by dealing with banks that have a minimum credit rating and by spreading business across a portfolio of relationship banks.

Notes to the Financial Statements for the year ended 31 December 2012

21. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (cont'd)

Financial instruments by category

The carrying amount of financial assets presented in the Statement of Financial Position relate to the following measurement categories as defined in IAS 39:

2012	Loans and receivables €'000	Derivatives designated as hedging instruments €'000	Total €'000
Current:			
Trade receivables	292,500	-	**292,500**
Other receivables	11,496	-	**11,496**
Cash and cash equivalents	141,611	-	**141,611**
Derivative financial instrument	-	3,226	**3,226**
	445,607	3,226	**448,833**
Non current:			
Derivative financial instrument	-	10,039	**10,039**
	-	10,039	**10,039**

2011	Loans and receivables €'000	Derivatives designated as hedging instruments €'000	Total €'000
Current:			
Trade receivables	264,338	-	**264,338**
Other receivables	4,410	-	**4,410**
Cash and cash equivalents	141,067	-	**141,067**
Derivative financial instrument	-	2,947	**2,947**
	409,815	2,947	**412,762**
Non current:			
Derivative financial instrument	-	14,163	**14,163**
	-	14,163	**14,163**

Notes to the Financial Statements for the year ended 31 December 2012

21. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (cont'd)

The carrying amounts of financial liabilities presented in the Statement of Financial Position relate to the following measurement categories as defined in IAS 39:

2012	**Financial liabilities in fair value hedge €'000**	**Financial liabilities measured at amortised cost €'000**	**Derivatives designated as hedging instruments €'000**	**Total €'000**
Current:				
Borrowings	-	3,749	-	**3,749**
Trade payables	-	151,078	-	**151,078**
Accruals and deferred income	-	134,356	-	**134,356**
Derivative financial instrument	-	-	193	**193**
	-	289,183	193	**289,376**
Non current:				
Borrowings	33,727	282,491	-	**316,218**
Derivative financial instrument	-	-	-	-
	33,727	282,491	-	**316,218**
2011				
Current:				
Borrowings	-	10,430	-	10,430
Trade payables	-	123,723	-	123,723
Accruals and deferred income	-	110,923	-	110,923
Derivative financial instrument	-	-	21	21
	-	245,076	21	245,097
Non current:				
Borrowings	33,390	284,406	-	317,796
Derivative financial instrument	-	-	-	-
	33,390	284,406	-	317,796

Fair value hierarchy

Where derivatives are traded either on exchanges or liquid over-the-counter markets, the Group uses the closing price at the reporting date. Normally, the derivatives entered into by the Group are not traded in active markets. The fair values of these contracts are estimated using a valuation technique that maximises the use of observable market inputs, e.g. market exchange and interest rates (Level 2). All derivatives entered into by the Group are included in Level 2 and consist of foreign currency forward contracts, interest rate swaps and cross currency interest rate swaps.

Capital Management Policies and Procedures

The Group employs a combination of debt and equity to fund its operations. As at 31 December 2012 the total capital employed in the Group was as follows:

	2012 €m	2011 €m
Net Debt	**165.5**	170.1
Equity	**813.4**	735.0
Total Capital Employed	**978.9**	905.1

The Board's objective when managing capital is to maintain a strong capital base so as to maintain the confidence of investors, creditors and the market. The Board monitors the return on capital (defined as total shareholders' equity plus net debt), and targets a dividend level that is compatible with industry norms, but which also reflects any exceptional market conditions.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group actively manages foreign currency and interest rate exposure, as well as actively managing the net asset position, in order to create bottom line value. This necessitates the development of a methodology to optimise the allocation of financial resources on the one hand and the return on capital on the other.

The Board closely monitors externally imposed capital restrictions which are present due to covenants within the Group's core banking facilities. These covenants include a requirement that the net assets of the Group be maintained at a minimum level of €400m.

There were no changes to the Group's approach to capital management during the year.

Notes to the Financial Statements for the year ended 31 December 2012

22. PROVISIONS FOR LIABILITIES

	2012 €'000	2011 €'000
Guarantees and warranties	**63,377**	48,746
Litigation	**-**	7,066
Total	**63,377**	55,812
Current liability	**49,426**	45,955
Non-current liability	**13,951**	9,857
	63,377	55,812

Guarantees and warranties

	2012 €'000	2011 €'000
At 1 January	**48,746**	49,380
Acquisitions through business combinations	**19,010**	3,690
Provided during year	**28,699**	29,367
Claims paid	**(25,394)**	(18,439)
Provisions released	**(8,770)**	(15,808)
Effect of movement in exchange rates	**1,086**	556
At 31 December	**63,377**	48,746
Current liability	**49,426**	38,889
Non-current liability	**13,951**	9,857
	63,377	48,746

The Group manufactures a wide range of insulation and related 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.

For the non-current element of the provision, the Group anticipates that these will be utilised within three years of the reporting date. Discounting of the non-current element has not been applied because the discount would be immaterial. However, discounting may apply in the future if the non-current element of the provision becomes significant such that the discounting impact would be material.

Litigation

	2012 €'000	2011 €'000
At beginning of year	**7,066**	9,421
Provided during year	**4,996**	3,806
Legal costs paid	**(12,272)**	(6,302)
Effect of movement in exchange rates	**210**	141
At 31 December	**-**	7,066
Current liability	**-**	7,066
Non-current liability	**-**	-
	-	7,066

On 1 May 2012 judgment was issued in respect of the Borealis case in which Kingspan was plaintiff and the Group's claim was unsuccessful. The defendant's legal costs of €12.3m were settled in full by the Group.

The Group is not engaged in any other material litigation.

Notes to the Financial Statements for the year ended 31 December 2012

23. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities arising from temporary differences and unused tax losses can be summarised as follows:

	Assets		Liabilities		Net	
	2012	2011	**2012**	2011	**2012**	2011
	€'000	€'000	**€'000**	€'000	**€'000**	€'000
Property, plant and equipment	**(2,050)**	(1,014)	**(29,530)**	(20,433)	**(31,580)**	(21,447)
Other temporary differences	**11,227**	8,590	**4,667**	(577)	**15,894**	8,013
Pension obligations	**1**	-	**(544)**	348	**(543)**	348
	9,178	7,576	**(25,407)**	(20,662)	**(16,229)**	(13,086)

Deferred tax arises from differences in the carrying value of items such as property, plant and equipment, pension obligations, and other temporary differences in the Financial Statements and the tax base established by the tax authorities.

The movement in the net deferred tax position for 2012 is as follows:

	Balance 1 Jan. 2012 €'000	Recognised in profit or loss €'000	Recognised in equity €'000	Recognised in other comprehensive income €'000	Translation adjustment €'000	Arising on acquisitions €'000	Balance 31 Dec. 2012 €'000
Property, plant and equipment	(21,447)	823	-	-	(3,051)	(7,905)	**(31,580)**
Other temporary differences	8,013	2,953	1,564	-	2,092	1,272	**15,894**
Pension obligations	348	(1,041)	-	208	(58)	-	**(543)**
	(13,086)	2,735	1,564	208	(1,017)	(6,633)	**(16,229)**

The movement in the net deferred tax position for 2011 is as follows:

	Balance 1 Jan. 2011 €'000	Recognised in profit or loss €'000	Recognised in equity €'000	Recognised in other comprehensive income €'000	Translation adjustment €'000	Arising on acquisitions €'000	Balance 31 Dec. 2011 €'000
Property, plant and equipment	(18,936)	(997)	-	-	2,172	(3,686)	(21,447)
Other temporary differences	5,168	4,113	255	-	(1,523)	-	8,013
Pension obligations	459	(931)	-	815	5	-	348
Unused tax losses	1,122	(1,286)	-	-	164	-	-
	(12,187)	899	255	815	818	(3,686)	(13,086)

24. BUSINESS COMBINATIONS

The Group made four acquisitions during the year in order to expand its market penetration, geography and market presence.

On 10 September 2012 the Group acquired Thyssenkrupp Construction Group (TKCG) for €39.6m. TKCG includes the brands Hoesch, Isocab and Ems and has seven manufacturing plants in Germany, France, Belgium, Austria and Hungary. The business had sales in the year to 31 March 2012 of €315m and recorded an operating loss of €5.7m in the period.

On 4 September 2012 the Group acquired Rigidal Industries LLC (Rigidal) for €28.6m, of which €6.5m has been deferred and is contingent on future trading performance. Rigidal is a leading Middle Eastern manufacturer of composite panels and roofing systems based in Dubai. It had sales and operating profit of US$39m and US$5.5m respectively in the year to 30 June 2012.

Other acquisitions during the year comprise an Access Floors business in Australia which was acquired for a cash consideration of €7.2m and a tapered roof insulation business in the UK which was acquired for a consideration of €5.8m, of which €1m has been deferred and is contingent on future trading performance.

All of the acquisitions are 100% owned by the Group.

Notes to the Financial Statements for the year ended 31 December 2012

24. BUSINESS COMBINATIONS (cont'd)

		TKCG 2012 €'000	Rigidal 2012 €'000	Other 2012 €'000	Total 2012 €'000	Total 2011 €'000
	Non-current assets					
11	Intangible assets	11,100	3,183	847	**15,130**	6,858
13	Property, plant and equipment	60,224	3,732	82	**64,038**	48,974
	Current assets					
	Inventories	36,186	1,869	1,565	**39,620**	17,147
16	Trade and other receivables	54,433	5,459	4,065	**63,957**	25,555
17	Assets held for resale, subsequently disposed of	1,100	-	-	**1,100**	23,008
	Current liabilities					
	Trade and other payables	(49,163)	(5,139)	(2,110)	**(56,412)**	(32,919)
22	Provisions for liabilities	(18,060)	(798)	(152)	**(19,010)**	(3,690)
	Finance lease obligations	(712)	-	-	**(712)**	-
	Current income tax liabilities	34	-	(297)	**(263)**	-
	Non-current liabilities					
34	Retirement benefit obligations	(14,668)	-	-	**(14,668)**	-
23	Deferred tax liabilities	(6,430)	-	(203)	**(6,633)**	(3,686)
	Total identifiable assets	74,044	8,306	3,797	**86,147**	81,247
10	Goodwill				**29,428**	49,115
4	Negative goodwill				**(34,458)**	-
	Total consideration				**81,117**	130,362
	Satisfied by:					
	Cash (net of cash acquired)	39,586	22,036	11,997	**73,619**	130,024
20	Deferred contingent consideration	-	6,517	981	**7,498**	338
		39,586	28,553	12,978	**81,117**	130,362

The gross value, before impairment provisions, of trade and other receivables at acquisition was €80.7m (2011: €27.0m).

The acquired goodwill is attributable principally to the synergies expected to be achieved from integrating the acquired companies into the Group's existing businesses. None of this goodwill is expected to be deductible for tax purposes.

Since the valuation of the fair value of assets and liabilities recently acquired is still in progress, the above values are determined provisionally. There have been no material revisions of the provisional fair value adjustments since the initial values were established for each of the acquisitions completed in 2011.

In the post-acquisition period to 31 December 2012, the acquired businesses contributed revenue of €86.35m and a trading profit of €0.9m to the Group's results.

Acquisition related costs

Acquisition related costs of €13.2m were incurred in respect of the acquisition of TKCG and have been included within non trading items in the Consolidated Income Statement. The consideration paid for the business reflected the need to incur costs to restructure the business and turn it around from a loss making position. Therefore the directors believe that these costs offset the €34.5m negative goodwill which is also included as a non trading item.

In respect of the other acquisitions during the year, the Group incurred acquisition related costs of €498,000 (2011: nil) relating to external legal fees and due diligence costs. These costs have been included in administrative expenses in the Consolidated Income Statement.

25. SHARE CAPITAL

	2012 €'000	2011 €'000
Authorised		
220,000,000 Ordinary shares of €0.13 each	**28,600**	28,600
Issued and fully paid		
Ordinary shares of €0.13 each		
Opening balance - 171,877,079 (2011: 171,755,762) shares	**22,344**	22,325
Share options exercised - 1,525,996 (2011: 121,317) shares	**198**	19
Closing balance - 173,403,075 (2011: 171,877,079) shares	**22,542**	22,344

Notes to the Financial Statements for the year ended 31 December 2012

26. SHARE PREMIUM

	2012 €'000	2011 €'000
At 1 January	**38,059**	37,739
Premium on share options exercised under employee share based compensation schemes (Note 3)	**2,511**	320
At 31 December	**40,570**	38,059

27. REVALUATION RESERVE

	2012 €'000	2011 €'000
At beginning and end of year	**713**	713

28. TREASURY SHARES

	2012 €'000	2011 €'000
At 1 January	**(30,707)**	(32,565)
Employee costs	**-**	1,858
At 31 December	**(30,707)**	(30,707)

At 31 December 2012, the Group held 4,938,257 (2011: 4,938,257) treasury shares in the Company.

During 2011 treasury shares were used to make share awards to two executive directors.

29. RETAINED EARNINGS

In accordance with Section 148(8) of the Companies Act, 1963 and Section 7 (1A) of the Companies (Amendment) Act, 1986, the Company is availing of the exemption from presenting its individual profit and loss account to the Annual General Meeting and from filing it with the Registrar of Companies. The Company's profit for the financial year was €2,449,000 (2011: €45,000).

30. DIVIDENDS

	2012 €'000	2011 €'000
Equity dividends on ordinary shares:		
2012 Interim dividend 5.0 cent (2011: 4.5 cent) per share	**8,355**	7,483
2011 Final dividend 6.5 cent (2010: 6.0 cent) per share	**10,847**	9,990
	19,202	17,473
Proposed for approval at AGM		
Final dividend of 7.25 cent (2011: 6.5 cent) per share	**12,214**	10,870

This proposed dividend for 2012 is subject to approval by the shareholders at the Annual General Meeting and has not been included as a liability in the Consolidated Statement of Financial Position of the Group as at 31 December 2012 in accordance with IAS 10 Events After the Reporting Date. The proposed final dividend for the year ended 31 December 2012 will be payable on 16 May 2013 to shareholders on the Register of Members at close of business on 26 April 2013.

31. NON-CONTROLLING INTEREST

	2012 €'000	2011 €'000
At 1 January	**6,137**	4,948
Increased investments	**-**	200
Dividends paid to non-controlling interest	**(93)**	(51)
Profit for the year attributable to non-controlling interest	**1,152**	1,035
Effect of movement in exchange rates	**(81)**	5
At 31 December	**7,115**	6,137

Notes to the Financial Statements for the year ended 31 December 2012

32. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2012 €'**000**	2011 €'000
Increase in cash and bank overdrafts	**1,614**	37,022
Decrease/(increase) in debt	**4,134**	(85,453)
Increase/(decrease) in lease finance	**(432)**	666
Change in net debt resulting from cash flows	**5,316**	(47,765)
Translation movement - relating to US dollar loan	**1,155**	(16,037)
Translation movement - other	**2,331**	171
Derivative financial instruments movement	**(4,242)**	14,358
Net movement	**4,560**	(49,273)
Net debt at start of the year	**(170,089)**	(120,816)
Net debt at end of the year	**(165,529)**	(170,089)

33. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

(i) Government grants

In certain circumstances, as set out in the grant agreements (the most significant of which are ceasing to trade, or the disposal of grant aided assets), government grants may be repayable up to a maximum amount of €2.5m (2011: €0.7m).

(ii) Guarantees and contingencies

The private placement loan notes ($400m) and the revolving credit facility (€300m, which was fully undrawn at year-end) are both secured by means of cross guarantees provided by Kingspan Group plc and some of its subsidiaries. In addition, there are a number of local overdraft facilities in overseas locations which are secured by means of a guarantee from Kingspan Group plc, or some other subsidiary company.

(iii) Leasing

	2012		2011	
	Minimum payments €'000	**Present value of payments €'000**	Minimum payments €'000	Present value of payments €'000
Finance Leases				
Finance lease and hire purchase obligations				
- within one year	**-**	**116**	-	197
- greater than one year	**-**	**513**	-	-
Total minimum lease payments	**713**	**-**	691	-
Less: amounts allocated to future finance costs	**(84)**	**-**	(494)	-
Present value of minimum lease payments	**629**	**629**	197	197

	2012 Minimum payments €'000	2011 Minimum payments €'000
Operating Leases		
Total obligation under non-cancellable operating leases are due as follows:		
- within one year	**8,644**	6,866
- between 1 - 5 years	**19,447**	15,822
- after 5 years	**1,631**	3,136
	29,722	25,824

Notes to the Financial Statements for the year ended 31 December 2012

33. GUARANTEES AND OTHER FINANCIAL COMMITMENTS (cont'd)

(iv) Future capital expenditure

Capital expenditure in subsidiary entities, approved by the Directors but not provided in the financial statements, is as follows:

	2012 €'**000**	2011 €'000
Contracted for	**10,834**	5,123
Not contracted for	**1,353**	6,730
	12,187	11,853

Capital expenditure in jointly controlled entities, approved by the Directors but not provided in the financial statements, is as follows:

	2012 €'**000**	2011 €'000
Contracted for	**285**	635
Not contracted for	**6**	-
	291	635

34. PENSION OBLIGATIONS

The Group operates defined contribution schemes in each of its main operating locations. It also acquired unfunded obligations as part of Thyssenkrupp Construction Group acquisition and it has two legacy defined benefit schemes (both closed to future accrual).

During the year the Group acquired Thyssenkrupp Construction Group. In line with normal business practice in Germany the acquired companies are not required to fund, and have not funded, independent schemes for post employment benefit obligations. Instead, commencing from the date the employee becomes eligible to receive the income stream, this obligation is satisfied from available cash resources of the relevant employing company. Provision has been made for the unfunded liability.

Defined contribution schemes

The total cost charged to profit or loss of €8,285,000 (2011: €9,855,000) represents employer contributions payable to these schemes in accordance with the rules of each plan. An amount of €3,030,000 (2011: €1,799,000) was included at year end in accruals in respect of defined contribution pension accruals.

Defined benefit schemes / obligations

In the past the Group operated two defined benefit schemes, both of which are closed to new members and to future accrual. Total pension contributions to these schemes for the year amounted to €2,860,000 (2011: €2,768,000), and the expected contributions for 2013 are €2,844,000.

As noted above, during the year the Group assumed pension obligations arising from the acquisition of Thyssenkrupp Construction Group. These obligations are accounted for as defined benefit obligations. However the variability in the valuation of these obligations is lower than would traditionally apply to funded schemes as there are no scheme assets for which returns must be forecast. In the period following acquisition, €166,000 of pension entitlements have been paid to retired former employees.

The pension costs relating to all of the above defined benefit obligations are assessed in accordance with the advice of qualified actuaries. In the case of the two legacy Group schemes, the most recent actuarial valuations were performed as of 31 March 2010 and these have been updated to 31 December 2012 by qualified independent actuaries to take account of the requirements of IAS 19, Employee Benefits. In the case of the obligations acquired during the year, the fair value was determined as at 30 September 2012 by qualified independent actuaries and company management have updated this to 31 December 2012.

In general, actuarial valuations are not available for public inspection; however, the results of valuations are advised to members of the various schemes.

The extent of the Group's obligation under these schemes is sensitive to judgemental actuarial assumptions, of which the principal ones are set out below.

It is not considered that any reasonable sensitivity analysis on these assumptions would materially alter the scheme obligations.

Life expectancies	**2012**	2011
Life expectancy for someone aged 65 - Males	**18.4 - 21.8**	21.7
Life expectancy for someone aged 65 - Females	**22.5 - 23.9**	23.8
Life expectancy at age 65 for someone aged 45 - Males	**23.2 - 25.1**	23.2
Life expectancy at age 65 for someone aged 45 - Females	**25.5 - 29.6**	25.4
Rate of increase in salaries	**0.0% - 2.5%**	n/a
Rate of increase of pensions in payment	**0.0% - 1.5%**	3.1%
Rate of increase for deferred pensioners	**2.0% - 2.5%**	2.1%
Discount rate	**2.9% - 4.4%**	4.9%
Inflation rate	**2.5% - 3.0%**	3.1%

Notes to the Financial Statements for the year ended 31 December 2012

34. PENSION OBLIGATIONS (cont'd)

Movements in net liability recognised in the balance sheet

	2012 €'000	2011 €'000
Net liability in schemes at 1 January	**(1,389)**	(1,628)
Acquisitions through business combinations	**(14,668)**	-
Employer contributions	**3,026**	2,768
Recognised in income statement	**(70)**	577
Recognised in statement of comprehensive income	**851**	(3,179)
Foreign exchange movement	**(64)**	73
Net liability in schemes at 31 December	**(12,314)**	(1,389)

Defined benefit pension income/expense recognised in the income statement

	2012 €'000	2011 €'000
Current service cost	**(53)**	-
Settlements of scheme obligations	**(7)**	(47)
Movement on scheme obligations	**(2,803)**	(2,646)
Expected return on scheme assets	**2,793**	3,270
	(70)	577

Analysis of amount included in other comprehensive income

	2012 €'000	2011 €'000
Actual return less expected return on scheme assets	**923**	(2,777)
Experience loss arising on scheme liabilities (present value)	**-**	-
Assumptions loss arising on scheme liabilities (present value)	**(72)**	(402)
Actuarial gains/(losses) recognised in other comprehensive income	**851**	(3,179)

The cumulative actuarial loss recognised in other comprehensive income to date is €13,748,000 (2011: €14,599,000).

In 2012, the actual return on plan assets was €3,716,000 (2011: €582,000).

Asset Classes and Expected Rate of Return

The assets in the scheme and the expected rate of return for each year end were as follows:

Asset Classes as % of Total Scheme Assets	**2012**	2011
Equities	**67.6%**	68.6%
Bonds (Corporates)	**20.5%**	9.4%
Bonds (Gilts)	**9.8%**	20.5%
Cash	**2.1%**	1.5%
	100.0%	100.0%

Expected Return		
Equities	**7.5%**	6.0%
Bonds (Corporates)	**4.1%**	4.9%
Bonds (Gilts)	**2.3%**	2.5%
Cash	**0.5%**	0.5%

The following approach has been used to determine the expected rate of return for each asset class:

Fixed Interest securities	Current Market Yields
Equities	Current net dividend yield adjusted for current inflation and dividend growth less expenses
Cash	Current Bank of England base rate

IAS 19 requires companies to disclose the impact of limiting the expected rate of return assumption to the discount rate. This would have resulted in the expected return on assets being lower by €103,000 in 2012.

Notes to the Financial Statements for the year ended 31 December 2012

34. PENSION OBLIGATIONS (cont'd)

Net Pension Liability

The net pension liability is analysed as follows:

	2012 €'000	2011 €'000
Equities	**39,699**	35,950
Bonds (Corporates)	**12,034**	4,948
Bonds (Gilts)	**5,750**	10,737
Cash	**1,212**	788
Fair market value of plan assets	**58,695**	52,423
Present value of obligation	**(71,009)**	(53,812)
Deficit	**(12,314)**	(1,389)
Analysed between:		
Funded schemes' surplus/(deficit)	**2,357**	(1,389)
Unfunded obligations	**(14,671)**	-
	(12,314)	(1,389)
Related deferred tax (liability)/asset	**(543)**	348

Changes in Present Value of Defined Benefit Obligations	**2012 €'000**	2011 €'000
At 1 January	**53,812**	51,209
Acquisitions through business combinations	**14,668**	-
Current service cost	**53**	-
Interest cost	**2,803**	2,645
Benefits paid	**(1,991)**	(1,675)
Settlement	**-**	(16)
Actuarial losses	**72**	389
Effect of movement in exchange rates	**1,592**	1,260
At 31 December	**71,009**	53,812

Changes in Present Value of Scheme Assets during year	**2012 €'000**	2011 €'000
At 1 January	**52,423**	49,581
Expected return on scheme assets	**2,793**	3,270
Employer contributions	**2,860**	2,768
Benefits paid	**(1,824)**	(1,675)
Settlement	**(7)**	(63)
Actuarial gains/(losses)	**923**	(2,688)
Effect of movement in exchange rates	**1,527**	1,230
At 31 December	**58,695**	52,423

History of Asset, Liabilities, Experience Gains and Losses	**2012 €'000**	2011 €'000	2010 €'000	Restated 2009 €'000	2008 €'000
Fair value of plan assets	**58,695**	52,423	49,581	52,519	39,717
Present value of defined benefit obligation	**(71,009)**	(53,812)	(51,209)	(57,611)	(43,455)
Surplus/(deficit)*	**(12,314)**	(1,389)	(1,628)	(5,092)	(3,738)
Experience gains/(losses) arising on scheme liabilities (present value)	**-**	-	(980)	397	(794)
% of defined benefit obligation	**0%**	0%	1.9%	(0.7%)	1.8%
Assumptions (loss)/gain	**(72)**	(402)	(3,028)	(10,293)	11,464
% of defined benefit obligation	**0.1%**	0.7%	5.9%	17.9%	(26.4%)
Actual return less expected return on scheme assets	**923**	(2,688)	3,010	5,945	(12,310)
% of scheme assets	**1.6%**	(5.1%)	6.1%	11.3%	(31.0%)

* The movement in the deficit during 2012 largely arises as a result of the €14.7m pension obligations assumed as part of the TKCG acquisition.

Notes to the Financial Statements for the year ended 31 December 2012

35. RELATED PARTY TRANSACTIONS

The principal related party relationships requiring disclosure under IAS 24 Related Party Disclosures relate to (i) transactions between group companies, (ii) compensation of key management personnel and (iii) goods and services purchased from Directors.

(i) Transactions between subsidiaries and associates are carried out on an arm's length basis.
The Company received dividends from subsidiaries of €Nil, and there was a movement of inter company balances of €14.2m (2011: €16.9m).

Transactions with the Group's non-wholly owned subsidiaries and jointly controlled entities primarily comprise trading sales and capital funding, carried out on an arm's length basis. These transactions are not considered to be material.

(ii) For the purposes of the disclosure requirements of IAS 24 Related Party Disclosures, the term 'key management personnel' (i.e. those persons having the authority and responsibility for planning, directing, and controlling the activities of the Company), comprise the board of directors who manage the business and affairs of the Company. As identified in the Report of the Remuneration Committee, the directors, other than the non-executive directors, serve as executive officers of the Company.

Key management personnel compensation is set out in Note 7.

(iii) The Group purchased the following services at arms length from companies controlled by Mr. Eugene Murtagh:

	2012 €'000	2011 €'000
Hotel accommodation	**7**	12
Information technology services	**57**	48
	64	60

There was €nil owed in respect of these services at 31 December 2012 (2011: €509).

36. GROUP COMPANIES

The principal subsidiary and joint venture companies and the percentage shareholding held by Kingspan Group plc, either directly or indirectly, at the balance sheet date are as follows:

	Shareholding %	**Nature of business**
IRELAND		
Aerobord Limited	100	Manufacturing
Kingscourt Trustee Company Limited	100	Trustee Company
Kingspan Europe	100	Holding Company
Kingspan Finance	100	Finance Company
Kingspan Funding Europe	100	Finance Company
Kingspan Funding Ireland	100	Finance Company
Kingspan Funding Overseas	100	Finance Company
Kingspan Holdings Limited	100	Holding Company
Kingspan Holdings (Irl) Limited	100	Management & Procurement
Kingspan Holdings (North America) Limited	100	Holding Company
Kingspan Holdings (Overseas) Limited	100	Holding Company
Kingspan International Finance	100	Finance Company
Kingspan Investments (CEMEI)	100	Finance Company
Kingspan Investments Europe	100	Finance Company
Kingspan Investments (Ireland) Limited	100	Finance Company
Kingspan Nominees Limited	100	Holding Company
Kingspan Renewables (Irl) Limited	100	Manufacturing
Kingspan Research & Development Limited	100	Product Development
Kingspan Securities Limited	100	Finance Company
Kingspan Securities (No. 2) Limited	100	Finance Company
Kingspan Century Limited	100	Manufacturing
Kingspan Insulation Limited	100	Manufacturing

	Shareholding %	**Nature of business**
Kingspan Limited	100	Manufacturing
Titan Environmental Limited	100	Manufacturing
UNITED KINGDOM		
Kingspan Environmental & Renewables Limited	100	Holding Company
Kingspan Environmental Limited	100	Manufacturing
Kingspan Renewables Limited	100	Manufacturing
Environmental Treatment Systems Limited	100	Manufacturing
Ever 2479 Limited	100	Holding Company
Hoesch Building Systems Limited	100	Sales & Marketing
Hewetson Holdings Limited	100	Holding Company
Kingspan Access Floors Holdings Limited	100	Holding Company
Kingspan Funding UK	100	Finance Company
Kingspan Group Limited	100	Holding Company
Kingspan Holdings (Insulation) Limited	100	Holding Company
Kingspan Holdings (Panels) Limited	100	Holding Company
Kingspan Holdings (Structural & Offsite) Limited	100	Holding Company
Kingspan Investments Limited	100	Holding Company
Kingspan Limited	100	Manufacturing
Kinspan Property Limited	100	Holding Company
Kingspan Services (UK) Limited	100	Management
Kingspan Access Floors Limited	100	Manufacturing
Kingspan Hot Water Systems Limited	100	Manufacturing

Notes to the Financial Statements for the year ended 31 December 2012

36. GROUP COMPANIES (cont'd)

	Shareholding %	Nature of business
Kingspan Insulation Limited	100	Manufacturing
Kingspan Tarec Industrial Insulation Limited	50	Manufacturing
Springvale Insulation Limited	100	Manufacturing
Kingspan Potton Limited	100	Manufacturing
Building Innovation Limited	100	Manufacturing
Building Inovation (Group) Limited	100	Holding Company
Ecotherm Insulation (UK) Limited	100	Manufacturing
AUSTRALIA		
Austrell Group Limited	100	Holding Company
Kingspan Holdings Australia Pty Limited	100	Holding Company
Kingspan Insulation Pty Ltd	100	Sales & Marketing
Nova-duct Technologies Pty. Ltd	100	Product Development
Kingspan Insulated Panels Pty Limited	100	Manufacturing
Tate Access Floors Pty Limited	100	Sales & Marketing
AUSTRIA		
Hoesch Bausysteme GmbH	100	Sales & Marketing
Kingspan GmbH	100	Sales & Marketing
AZERBAIJAN		
Izopoli Mahdut Mesuliyeti Cemiyeti	100	Sales & Marketing
BELGIUM		
Isocab N.V.	100	Manufacturing
Kingspan Door Components S.A.	100	Manufacturing
Kingspan Holding Belgium N.V.	100	Holding Company
Kingspan N.V.	100	Sales & Marketing
Kingspan Tarec Industrial Insulation N.V.	50	Manufacturing
Unidek N.V.	100	Sales & Marketing
BOSNIA AND HERZEGOVINA		
Kingspan d.o.o.	100	Sales & Marketing
BULGARIA		
Izopoli EAD	100	Sales & Marketing
Kingspan EOOD	100	Sales & Marketing
CANADA		
Kingspan Insulated Panels Limited	100	Manufacturing
Tate ASP Access Floors Inc	100	Manufacturing
CROATIA		
Hoesch Gradjevinski Elementi d.o.o.	100	Sales & Marketing
Kingspan d.o.o.	100	Sales & Marketing
CZECH REPUBLIC		
Hoesch Stavebni Systemy S.R.O.	100	Sales & Marketing
Kingspan a.s.	100	Manufacturing
DENMARK		
Kingspan A/S	100	Sales & Marketing
Kingspan Danmark A/S		
Kingspan Miljocontainere A/S Denmark	100	Manufacturing
ESTONIA		
Kingspan OU	100	Sales & Marketing
FINLAND		
Kingspan Oy	100	Sales & Marketing
FRANCE		
Isocab France S.A.S	100	Manufacturing
Kingspan Sarl	100	Sales & Marketing
Unidek SARL	100	Sales & Marketing
GERMANY		
Hoesch Bausysteme GmbH	100	Manufacturing
Kingspan Insulation Verwaltungs GmbH	100	Holding Company
Kingspan Unidek GmbH	100	Manufacturing
Kingspan Environmental GmbH	100	Sales & Marketing
Kingspan GmbH	100	Sales & Marketing
Kingspan Holdings GmbH	100	Holding Company
Kingspan Insulation GmbH & Co. KG	100	Sales & Marketing
Kingspan Property GmbH	100	Holding Company
Kingspan Tek GmbH	100	Manufacturing
HUNGARY		
Hoesch Epitoelemek Kft	100	Manufacturing
Kingspan Kereskedelmi Kft	100	Manufacturing
INDIA		
Aslan Panel India Private Limited	100	Holding Company
Kingspan India Private Limited	100	Sales & Marketing
ITALY		
Kingspan Renewables SRL	100	Sales & Marketing
JERSEY		
Kingspan Overseas Investments Limited	100	Finance Company
LATVIA		
Kingspan SIA	100	Sales & Marketing
LITHUANIA		
Kingspan UAB	100	Sales & Marketing
LUXEMBOURG		
Kingspan Holdings (Luxembourg) Sarl	100	Holding Company
NETHERLANDS		
Hoesch Bouwsystemen B.V.	100	Sales & Marketing
Kingspan B.V.	100	Sales & Marketing
Kingspan Holding Netherlands B.V.	100	Holding Company
Kingspan Insulation B.V.	100	Manufacturing
Kingspan Property B.V.	100	Holding Company
Kingspan Unidek B.V.	100	Manufacturing
Unidek Group B.V.	100	Holding Company
NEW ZEALAND		
Kingspan Insulation NZ Limited	100	Sales & Marketing
Kingspan Limited	51	Sales & Marketing

Notes to the Financial Statements for the year ended 31 December 2012

36. GROUP COMPANIES (cont'd)

	Shareholding %	Nature of business
NORWAY		
Kingspan Miljo AS	100	Sales & Marketing
POLAND		
Ecotherm Polska Sp.z o.o.	100	Sales & Marketing
Kingspan Insulation Sp.z o.o.	100	Sales & Marketing
Kingspan Sp.z o.o.	100	Manufacturing
Kingspan Environmental Sp.z o.o.	100	Manufacturing
ROMANIA		
Hoesch Sisteme Pentru Constructii S.R.L.	100	Sales & Marketing
İzopoli Yapı Elemanları Ro. S.R.L.	100	Sales & Marketing
Kingspan S.R.L.	100	Sales & Marketing
RUSSIA		
Kingspan LLC	99	Sales & Marketing
SERBIA		
Kingspan d.o.o.	100	Sales & Marketing
SINGAPORE		
Kingspan Pte Limited	100	Sales & Marketing
SLOVAKIA		
Kingspan s.r.o.	100	Sales & Marketing
SLOVENIA		
Kingspan Kft Kereskedelmi Podruznica Ljubljana	100	Sales & Marketing

	Shareholding %	Nature of business
SPAIN		
Kingspan Holdings Spain SL	100	Holding Company
Kingspan Suelo Technicos	50	Sales & Marketing
SWITZERLAND		
Kingspan GmbH	100	Sales & Marketing
TURKEY		
İzopoli Yapı Elemanları Taahhut San. Ve Tic A.Ş	51	Manufacturing
UNITED ARAB EMIRATES		
Rigidal Industries LLC	100	Manufacturing
UKRAINE		
Kingspan Lviv	100	Sales & Marketing
Kingspan Ukraine LLC	100	Sales & Marketing
UNITED STATES OF AMERICA		
ASM Modular Systems, Inc.	100	Manufacturing
Kingspan Holdings Panels US Inc.	100	Holding Company
Kingspan Holdings US Inc.	100	Holding Company
Morin Corporation	100	Manufacturing
Kingspan Medusa Inc.	100	Holding Company
Kingspan Solar Inc	100	Sales & Marketing
Kingspan Insulated Panels Inc.	100	Manufacturing
Tate Access Floors, Inc.	100	Manufacturing

37. POST BALANCE SHEET EVENTS

There have been no material events subsequent to 31 December 2012 which would require disclosure in this report.

38. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Directors on 25 February 2013.

Group Five Year Summary 2012

RESULTS (amounts in €m)

	2012	2011	2010	2009	2008
Revenue	**1,628.7**	1,546.9	1,193.2	1,125.5	1,672.7
Operating profit	**104.7**	90.9	67.4	62.7	82.0
Net profit before tax	**89.9**	77.8	55.7	56.7	68.1
Operating cashflow	**160.6**	127.1	72.4	212.8	228.3

EQUITY (amounts in €m)

	2012	2011	2010	2009	2008
Gross assets	**1,583.4**	1,434.3	1,213.1	1,130.5	1,236.2
Working capital	**200.0**	188.6	159.9	121.4	208.2
Total shareholder equity	**813.4**	734.9	666.9	585.5	519.1
Net debt	**165.5**	170.1	120.8	149.1	286.9

RATIOS

	2012	2011	2010	2009	2008
Net debt as % of total shareholders' equity	**20.3%**	23.1%	18.1%	25.5%	55.3%
Current assets / current liabilities	**1.65**	1.68	1.55	1.31	1.56

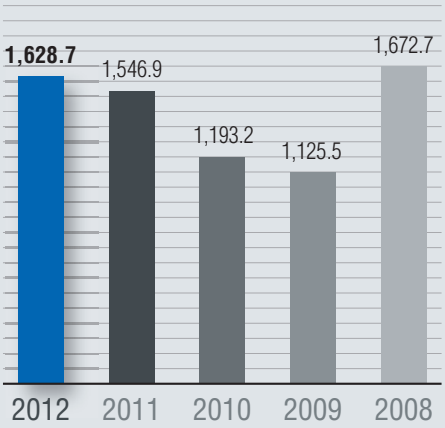
PER ORDINARY SHARE (amounts in €cent)

	2012	2011	2010	2009	2008
Earnings	**43.8**	37.1	29.2	28.7	26.7
Operating cashflows	**95.8**	76.3	43.5	128.1	135.7
Net assets	**485.0**	441.1	400.8	352.5	308.4
Dividends	**12.25**	11.00	10.00	-	8.00

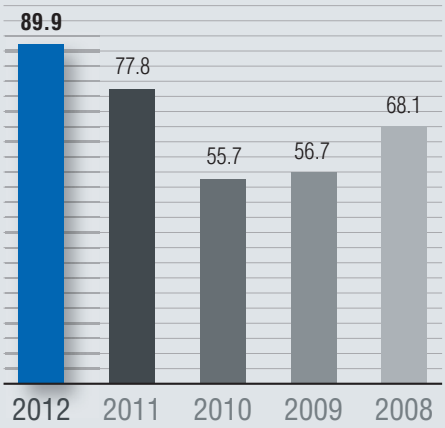
AVERAGE NUMBER OF EMPLOYEES	**5,754**	5,776	4,890	5,049	6,692

Group Five Year Summary 2012

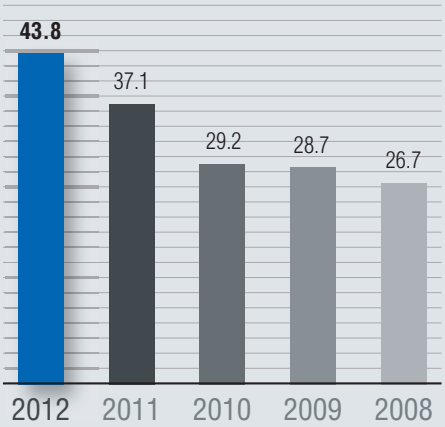
Revenue €m



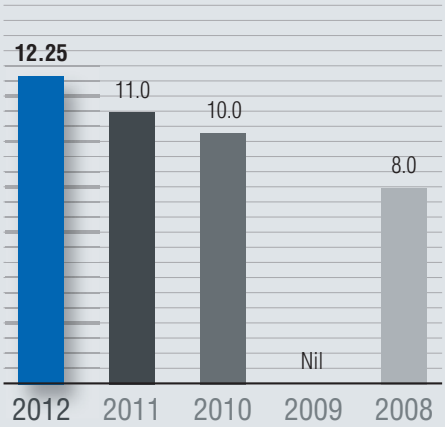
Net profit before tax €m



Earnings per share €cent



Dividends per share €cent



Kingspan Group plc
Dublin Road, Kingscourt, Co. Cavan, Ireland
Telephone: +353 42 969 8000 Fax: +353 42 966 7501
Email: admin@kingspan.ie
www.kingspan.com

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC® C004309