Annual Report and Financial Statements 2005

sustainable : renewable : affordable

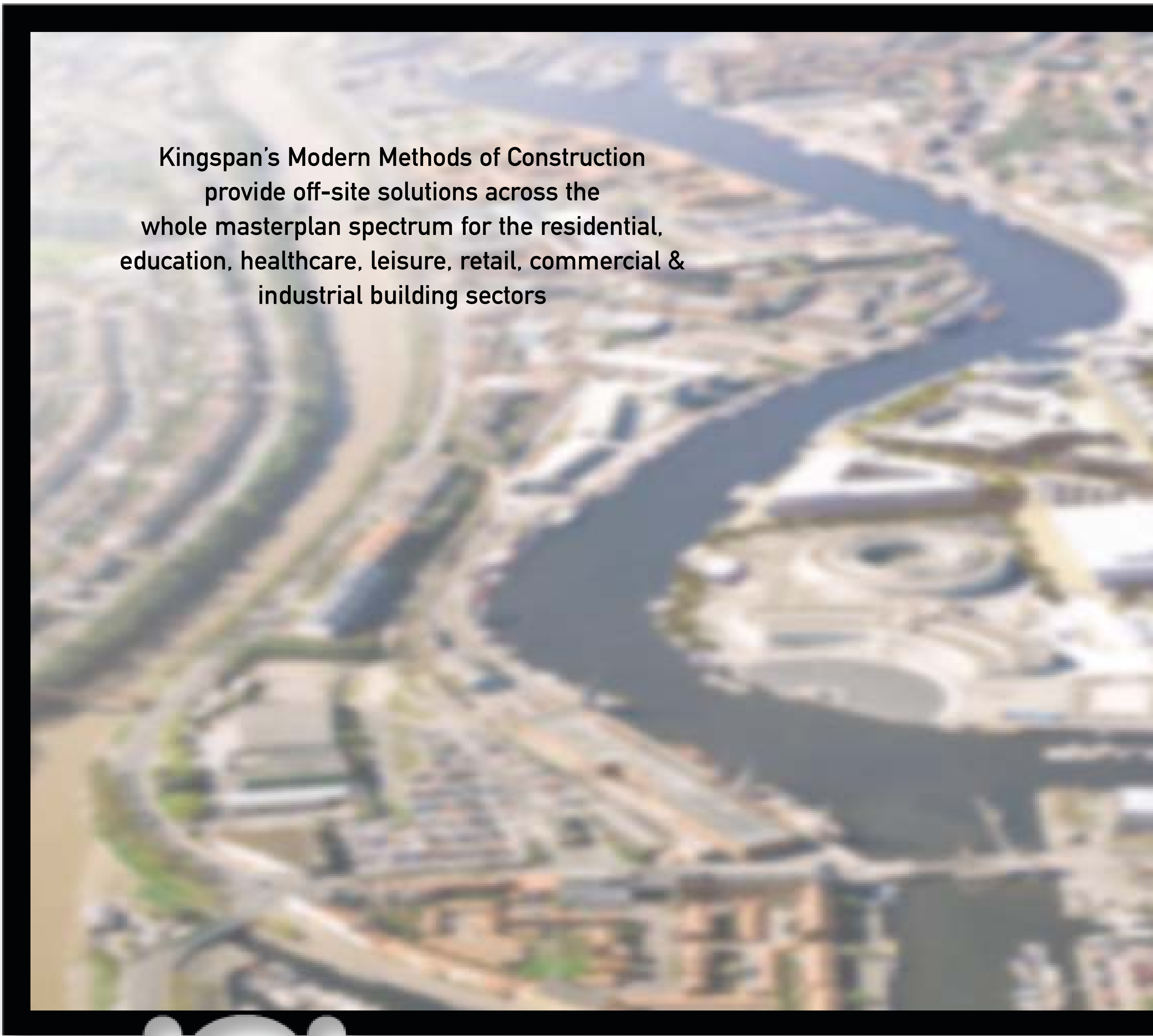
Kingspan Group plc

Financial Highlights
for the year ended 31st December 2005

	2005	2004	% Change Reported
Turnover	€1,243.4m	€958.1m	+30%
Operating profit	€145.1m	€103.3m	+40%
Net profit before tax	€135.0m	€96.4m	+40%
Basic earnings per share	66.4c	47.1c	+41%
Dividend per share for the year	13.4c	9.6c	+40%
Dividend cover	4.9 times	4.9 times	
Interest cover	17.6 times	18.6 times	
Gearing ratio (net debt as % of shareholders' funds)	39.2%	35.4%	

annualreport**contents**

Kingspan®



Chairman's Statement

RESULTS

I am pleased to report on another strong year's performance and growth in Kingspan.

Group turnover increased 30% to €1,243.4 million, operating profit rose by 40% to €145.1 million, and earnings per share rose to 66.4 cent. Just over half of this represents organic growth, whilst acquisitions during the year contributed €138.9 million to Group turnover, adding €16.1 million in operating profits.

For the second year running Kingspan has delivered growth in operating profits in excess of 30%. Indeed, over the past 10 years Kingspan has delivered compound annual growth in earnings per share of 30%. These results are built on a platform of strong management, innovative building solutions, and a commitment to driving Modern Methods of Construction in the building industry.

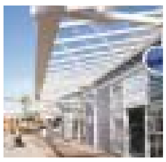
Milestones achieved during the year included the commissioning of the new manufacturing plant in Hungary to meet demand for Insulated Panels in the growing Central and Eastern European


Residential


Education


Healthcare


Leisure


Retail


Commercial


Industrial

markets, the acquisition of Century Homes, Ireland's largest timberframe manufacturer, and the acquisition of ASM in the US which has consolidated Kingspan's position for Raised Access Floor solutions in the US. Other acquisitions complementing the Group's organic growth were ATC, the leading provider of panels to the UK food storage industry, and the addition of the RCM and Albion water storage and heating businesses to the Environmental Containers range of products.

In fact, during the year Kingspan grew to employ over 4,400 people, and now operates in 28 countries worldwide.

Kingspan

I wish to extend my thanks to all employees throughout the Group for their contribution throughout the year, and also to our customers, trading partners, shareholders, and other stakeholders in the business for their continued support.

Dividends

The Board is recommending payment of a final dividend of 8.95 cent per share, an increase of 44% on the 2004 final dividend. This will give a total dividend for the year of 13.4 cent, up 40% on the previous year. The increased dividend is in accordance with the Board's stated policy of progressively increasing the dividend so as to bring dividend cover to a level closer to industry norms, in a manner compatible with the Group's strategic growth plans.

If approved at the Annual General Meeting, the final dividend (which will be subject to Irish withholding tax rules) will be paid on the 9th June 2006 to shareholders on the register at close of business on the 24th March 2006.

Board Changes

As previously announced, David Byrne S.C. was co-opted on to the Board as a Non-executive Director on the 1st January 2005, and was duly elected at the Annual General Meeting on the 26th May 2005. Brian Hill was co-opted on to the Board as a Non-executive Director on the 1st June 2005 and offers himself for election at the forthcoming Annual General Meeting. Both appointments bring valuable experience and independent view points to the Board.

Jim Paul retired from the Board on the 31st December 2005 after 16 years with the Group. During his career with Kingspan, Jim was Managing Director of the Insulation Board business and more recently the Off-Site & Structural division. On behalf of the Board, I wish to thank Jim for his significant contribution to the Group over the years.

LOOKING TO THE FUTURE

The excellent results for the year under review have been achieved while at the same time investing substantial resources in Research & Development to ensure the future prospects of the Group. There is now substantial emphasis on developing new building solutions that are sustainable, renewable and affordable. In their various market segments, all of Kingspan's products have major contributions to make in this regard.

Energy Performance of Buildings Directive

The European Union introduced a directive on the energy performance of buildings, which passed into EU law in 2003. The legislation when fully implemented in member states will impact on the energy efficiency of buildings by reducing the CO_2 emissions from these buildings by at least 20%. Member states can stipulate minimum efficiency standards for new buildings of all types and for the refurbishment of existing large buildings. In addition, and for the first time, the precise measurement of a building's own energy consumption will become a reality.

In the UK the directive will be implemented via revised Building Regulations and a certification scheme agreed with building stakeholders, with the intention of saving over one million tonnes of CO_2 per annum by 2010. Kingspan's range of products are well positioned to benefit from the general thrust of this directive.

Sustainable Buildings

From mid 2006 a more stringent regulatory environment will exist. This is designed to improve the sustainable development profile of buildings in the UK. The code for sustainable buildings will go beyond the current Building Regulations in terms of energy consumption, and will cover not just fuel and power, but also the efficient use of water and the effective management of waste. The code will be mandatory for all new buildings. Kingspan's Off-Site & Structural solutions will significantly reduce waste on site as well as providing energy efficient buildings, and Kingspan's range of products in the Environmental Containers division are specifically geared towards saving and recycling water.

Renewable Resource of Building Materials

Increasingly, architects are considering not just the strength and durability of building materials, but also their impact on the environment, the community, and global resources. There is a realisation that building developments in future must meet the needs of the present, without compromising the ability of future generations to meet theirs. Various developments within the Group, coupled with complementary acquisitions, will ensure that Kingspan's product range will have a major role to play in sustainable developments of the future.

Outlook

The fact that the "Energy Performance of Buildings Directive" was one of the fastest pieces of legislation to be introduced in the EU, indicates the urgency with which regulators are now treating the environmental impact of the built environment, and the pressure to transform is set to increase in the coming years. Kingspan intends to influence this transformation, and is well placed to take advantage of all these developments as they come on stream. For some time now Kingspan has directed its product focus, through continued research and development and strategic acquisitions, to benefit from the move to sustainable, renewable and affordable solutions for the construction sector.

Eugene Murtagh
Chairman
6th March 2006

Chief Executive's Review

2005 marked a year of exceptional performance across the Group, in which revenue grew by 30% to almost €1.25 billion and operating profit grew by 40% to €145.1 million. Despite the absence of any real buoyancy in the Group's primary markets, progress was achieved in all of the operating divisions, where the relentless focus on internally generated growth continued to bear fruit. Organic growth, which accounted for most of this year on year increase, added €146.4 million to the Group's revenue. Contributing to this in particular were:

- Continued volume growth;
- Further new product penetration; and also
- The impact of passed-on input price rises in many product and geographic areas.

This organic growth was complemented by acquisitions, which added almost €138.9 million to Group revenue in the year.

In summary, the main features of 2005 were:

- Record levels of sales and earnings, reaching almost €1.25 billion and €111.4 million respectively.
- The addition of new businesses, at a cost of €141.7 million, which themselves are focused on growing sectors.
- Continued penetration growth of Insulated Panels across a number of markets.
- The successful commissioning of our Insulated Panel facility in Hungary, reinforcing our position as the clear leader in the Central and Eastern European markets.


Kingspan's Modern Methods of Construction
provide solutions for
urban waterside developments
sustainable : renewable : affordable

- Robust performance of our UK and Ireland Rigid Insulation businesses.
- Satisfactory profits in Raised Access Floors, achieved in the face of weak Class A office construction in both the UK and US.

Insulated Panels & Boards

Insulated Panels

Representing 38% of Group turnover in 2005, Insulated Panels continued to deliver good growth in its main markets, and revenues were up by a very healthy 24%. In Ireland, where non-residential construction activity remained high, Panel volumes grew reasonably, and in the UK where the metal cladding market was essentially flat versus 2004, Panels continued to convert from the cumbersome site assembled systems, albeit at a lesser pace than in some recent years. Management succeeded in maximising returns by striking the right balance between volumes and price when material inputs were unpredictable.

In the second six months, Central and Eastern European construction markets recovered from a poor start to the year. The Panel business in this region posted growth of 18% in the first half, which improved to 26% for the year as a whole, reflecting a very robust run up to year end, and the further expansion into the region from the newly established manufacturing facility in Hungary.

The integration of the Door Panel business in Belgium is complete and the newly acquired ATC, which specialises in panels for the food storage sector, performed well. Now operating as Kingspan Controlled Environments this business further consolidated its position in the UK, as well as securing large scale projects in Australia and New Zealand. These are growing markets for Firesafe® solutions and the Group continues to review the possibility of investing more substantially in Australasia.

Insulation Boards

Representing 17% of Group turnover in 2005, Insulation grew by 9% over the prior year. As previously indicated, this business was expected to deliver somewhat less growth in 2005 than in previous years, primarily due to the transitionary phase between the insulation demand patterns established following the 2002 UK Building Regulations, and those anticipated following the April 2006 regulations review. Accordingly, although volume was broadly flat, revenue growth was achieved as some of the substantial chemical cost increases were passed on to the market. More importantly Kingspan grew sales of the higher value, higher performing phenolic insulation products in which the Group has invested significantly over recent years.

Coinciding with the pressure on the input side of this business, was an intensified level of competition due to a number of recent entrants to the market. In the short to medium term further new entrants are also anticipated. Notwithstanding this, Kingspan's core focus on absolute lowest unit cost, superior efficiencies, and an unparalleled range of solutions for the design and construction community, all contributed to defending the Group's leading position during this transition period. The pattern for the early part of 2006 is expected to be quite similar. This will be followed, later in the year, by the resumption of significant investment in projects to capitalise on the strong volume growth potential to be derived from continued conversion, which will arise from the increasing inter-changeability of insulants in the future.

The Group entered an industrial insulation joint venture with the Belgian group, Recticel S.A. at the end of the year. Turnover of the venture is expected to be in the region of €35.0 million for 2006.

Raised Access Floors

Representing 10% of Group turnover in 2005, Access Floors continued to build upon the return to profitability achieved in 2004, exiting 2005 with sales growth of 9% and operating profits of €9.8 million. This result was managed against a backdrop of a flat market in Class A office development, the type of construction most likely to opt for the cable management and underfloor air attributes of the access floor itself.

Cost base control, a favourable product mix, and some upward price movement were all features of the 2005 performance.

In the UK, quotation levels for future projects grew by greater than 30% over the prior year, coinciding with office vacancy rates in the City of London dipping below 10% for the first time in a few years.

Both are encouraging indicators of this business's prospects over 2006 and 2007.

In the US, activity in this particular construction sector remains relatively weak, compared with the peak of 2001. There are signs that activity in segments of the market such as data centres may enter a new phase of good growth. This time the growth would be demand led and not speculation led as in the previous boom period. Strengthened by the recent acquisition in the US of the 'ASM' access floor business and brand, the operation, which has returned to profitability, is now well positioned for any market uplift.

Environmental Containers

Representing 18% of Group turnover in 2005, this division grew by a very substantial 54% in the past year through a combination of robust organic growth and a number of acquisitions. The main products of this division fall into the broad categories of fuel storage, effluent treatment, and water storage and distribution, all of which have very important environmental attributes.

Sales of fuel storage containers in absolute numbers declined during the year, however the growth in conversion to higher value double skinned tanks, incorporating level sensing telemetry, contributed to increased revenues in this category. The effluent treatment products grew both in volume and value once again, largely driven by further conversion from septic tanks to the higher value domestic treatment plant range. This dynamic continues to take place in both the UK and Ireland.

The hot water storage and distribution systems business was considerably strengthened in 2005 through the acquisition of RCM and Albion in the UK. The acquisition of these businesses has moved Kingspan into a leading position in a growing market for unvented hot water systems. This sub-sector is growing at approximately 12% per annum, driven by a shift away from traditional gravity fed systems, towards more modern pressurised solutions. The acquisitions have been well integrated and are performing as expected.

From its manufacturing base in Poland, the mainland European business unit grew once again by more than 50% and has just recently completed an expansion programme there to support further growth during 2006.

In general, Environmental Containers is a product group ideal for further geographic expansion, and accordingly the Group continues to review appropriate opportunities.

Off-Site & Structural

Representing 17% of Group turnover in 2005, this division grew in revenue by a significant 75%, the result of Century's timber frame business joining the Group, as well as further inflationary growth driven by the high steel cost experienced by our lightweight structural components during the year.

The Off-Site opportunity for Kingspan lies in bringing together the overwhelming advantages of build speed and energy performance in both the residential and non-residential markets, predominately in the UK and Ireland. Century has almost single handedly grown timber frame penetration in Ireland to 25% by 2005. Kingspan's

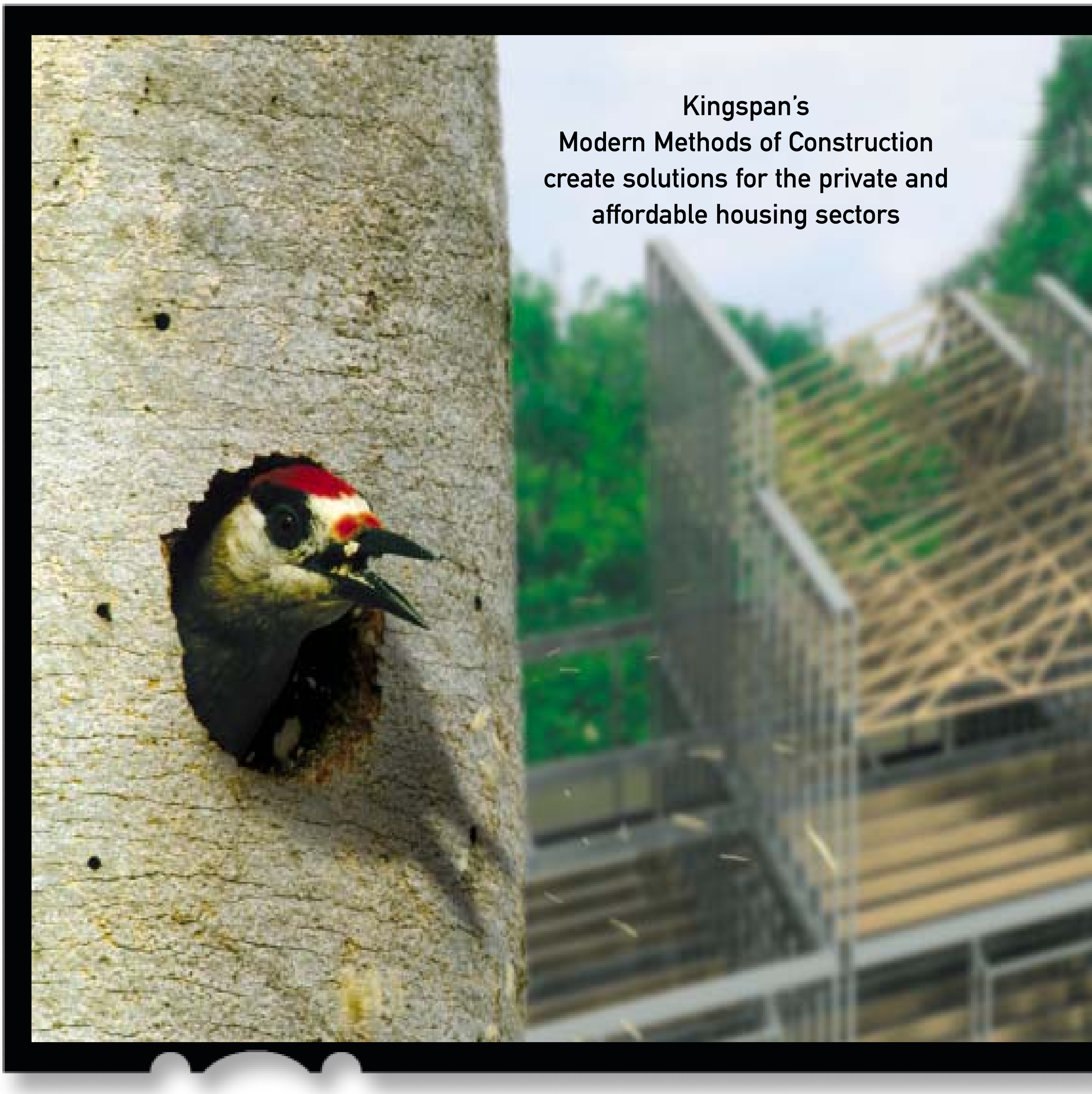
share of that market provides a platform to drive similar conversion to timber frame in the UK, and evolve this product group into a more strategic part of the Group's Modern Methods of Construction Solutions. Already, Kingspan's Off-Site & Structural division was part of a consortium that was selected as a successful bidder in the UK government's £60k affordable housing initiative. However, the business will require significant upfront investment in product and process development in order to achieve its full potential.

On the metal side of this business, the first phase of investment at our UK metal Off-Site plant is fully commissioned and operational. This is already generating encouraging levels of specifications.

2006 will represent the first full year since the launch of this product and we have reason to anticipate a satisfactory level of sales based on those specifications. This is an evolving sector for us and the Group will be looking to make further investments in this area.

Research & Development

At Kingspan, we are acutely mindful of the contribution Research & Development has made, and will make, to the success of the Group. Firstly, it is crucial to maintaining our edge in current products and markets, which require continuous



process and product improvements throughout each business. Additionally, it is the source of new concepts, solutions and products that enable us to forge a position in evolving areas relatively new to the market.

Approximately 1% of the Group turnover is invested in this process annually. The current pipeline of initiatives numbers greater than sixty, and spans projects ranging from formulation improvement, to fundamental chemistry advancements, to developing new construction concepts. It is central to many of Kingspan's strategic objectives.

Much of the development process occurs internally, and beyond this we continue to build complementary working relationships with a number of external bodies, including universities and technical colleges.

People

2005 was a tremendous year at Kingspan. This is largely due to the ideas, commitment and determination of the many people throughout the business. I would like to extend my gratitude to all for their contribution to date, and for their collective ambitions for the continued development of the organisation.

Looking Ahead

The Group has got off to a good start in 2006. The economies in which Kingspan operates are quite stable in general, with some improvement anticipated in certain sectors later in the year. This backdrop, together with the robustness of the business, and the imminent UK Building Regulations review, should enable Kingspan to deliver further growth into the future.

Gene M. Murtagh
Chief Executive Officer
6th March 2006

Financial Review

Results

Turnover for the year ended 31st December 2005 was €1,243.4 million, an increase of 30% compared to the previous year. Acquisitions in the year generated €138.9 million additional turnover.

Profit before tax was €135.0 million (2004: €96.4 million). Earnings attributable to ordinary shareholders were €111.4 million (2004: €78.1 million). Cash generation remained strong with earnings before interest, tax, depreciation and amortisation (EBITDA) of €177.6 million (2004: €128.4 million). Amortisation amounted to €1.9 million (2004: €0.7 million).

Turnover and Margins

Group turnover increased by 30% or €285.3 million compared to 2004.

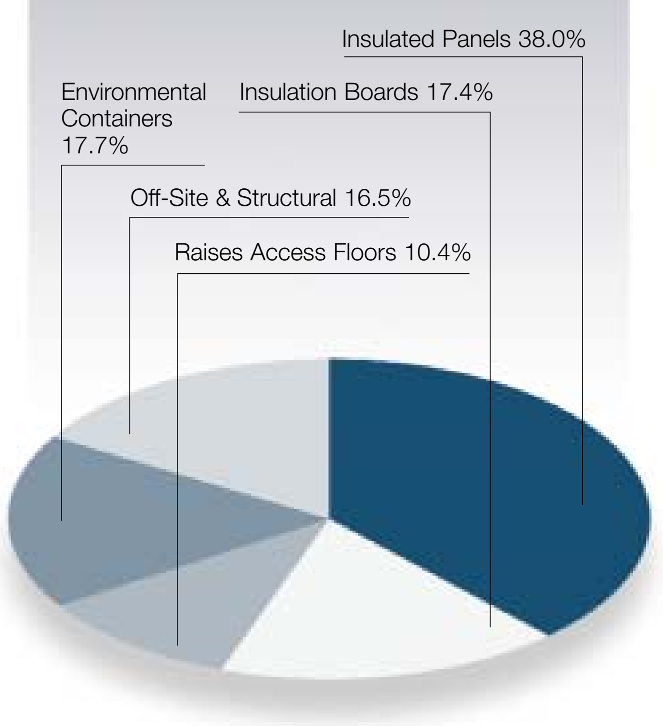
The tables on the right and next page detail the Group's turnover by class of activity and geographical area and the year on year growth achieved.

In continuing operations the gross profit margin was 30.8%, up from 29.5% last year. Acquisitions, with an equivalent margin of 26.9%, had a small dilutative effect giving an overall margin of 30.3%.

The operating margin, being earnings before interest and tax as a percent of turnover, was 11.7% in the year, up from 10.8% last year. Acquisitions, which have lower distribution costs than continuing operations delivered an operating margin of 11.6%.

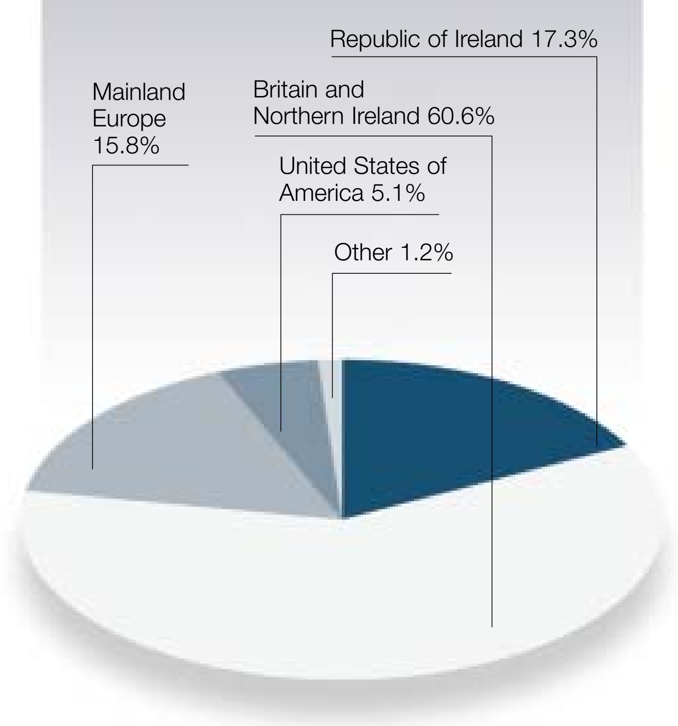
Taxation

The effective tax rate in the year at 17.5% compares with 19.0% last year.



Analysis by Class of Activity

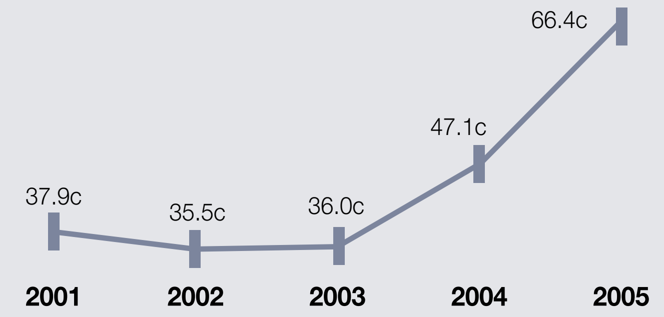
	Year ended 31.12.05 €million	Year ended 31.12.04 €million	% Change 2005-2004
Insulated Panels	**472.4**	380.2	24%
Insulation Boards	**217.0**	199.4	9%
Insulation Panels & Boards	**689.4**	579.6	19%
Raised Access Flooring	**130.0**	119.2	9%
Environmental Containers	**220.1**	142.5	54%
Off-Site & Structural	**203.9**	116.8	75%
	1,243.4	958.1	30%



Analysis by Geographical Area

	Year ended 31.12.05 €million	Year ended 31.12.04 €million	% Change 2005-2004
Republic of Ireland	**215.3**	136.8	+57%
Britain & Northern Ireland	**753.3**	592.4	+27%
Mainland Europe	**196.4**	163.2	+20%
United States of America	**63.7**	53.6	+19%
Other	**14.7**	12.1	+21%
	1,243.4	958.1	+30%

Adjusted earnings per share



Adjusted earnings per share for 2005 and 2004 are presented under IFRS with all other years presented under Irish GAAP

Earnings Per Share

Basic earnings per share at 66.4 cent show an increase of 41% over the previous year. This figure has grown at an annual compound rate in excess of 30% over the ten year period 1995 to 2005.

Dividends

Subject to shareholder approval at the 2006 Annual General Meeting, it is proposed that the dividend for 2005 will be 13.4 cent per share. This consists of an interim dividend of 4.45 cent per share paid on 7th October 2005, and a final dividend of 8.95 cent per share proposed to be paid on 9th June 2006 to shareholders on the register on 24th March 2006. This represents a 40% increase on the previous year. The dividend for the year is covered 4.9 times by earnings, and 7.9 times profits before interest, taxation, depreciation and amortisation compared to 8.0 times in 2004. The dividend yield for the year was 1.4% compared to 1.9% for 2004, based on the average share price in the relevant years.

The ordinary dividend has grown at an annual compound rate of 30% over the period 2001 through to 2005 compared to earnings growth of 15%, as the Group continues with a progressive dividend policy so as to bring dividend cover to a level closer to industry norms.

Acquisitions in the year

The Group completed a number of strategically important acquisitions during the year with a total spend, net of cash acquired and including debt acquired, of €141.7 million. This investment falls into the following product categories:

Acquisitions in the year

	Net Investment €million	Assets acquired €million	Goodwill & Intangibles €million
Off-Site & Structural	**69.1**	13.8	55.3
Insulated Panels & Board	**35.6**	7.7	27.9
Environmental Containers	**31.9**	6.0	25.9
Raised Access Floors	**5.1**	0.8	4.3
	141.7	28.3	113.4

The intangibles acquired, which amounted to €12.4 million, are being amortised principally over 7 years and this amortisation of €1.5 million has been charged against the profits from the acquisitions in the year. Under the IFRS accounting rules the goodwill acquired of €101.0 million is not amortised but will be subject to impairment reviews.

These acquisitions delivered turnover, from date of acquisition to year end, of €138.9 million and operating profits, after intangible amortisation, of €16.1 million.

Funds Flow

The table below summarises the Group's funds flow for 2005 and 2004:

	2005 €million	2004 €million
Operating profit	**145.1**	103.3
Depreciation	**30.6**	24.4
Amortisation	**1.9**	0.7
Working capital increase	**(9.4)**	(36.0)
Pension contributions	**(2.9)**	(2.9)
Interest	**(7.5)**	(6.6)
Taxation paid	**(28.2)**	(14.8)
Others	**13.8**	14.2
Free cash	**143.4**	82.3
Acquisitions	**(141.7)**	(26.6)
Receipt of Tate settlement	**-**	24.7
Net capital expenditure	**(42.2)**	(53.5)
Dividends paid	**(17.8)**	(13.2)
	(201.7)	(68.6)
Cash flow movement	**(58.3)**	13.7
Debt translation	**2.9**	(0.6)
(Increase)/decrease in net debt	**(55.4)**	13.1
Net debt at start of year	**(108.1)**	(121.2)
Net debt at end of year	**(163.5)**	(108.1)

The acquisitions during the year were financed out of Group resources. Debt reduction before acquisitions, dividend payments and non-cash translation effect was €101.1 million (2004: €53.5 million).

The free cash flow for the year, representing operating cash flow less interest and taxation paid, amounted to €143.4 million, an increase of €61.1 million on last year or 74%. This performance represents 85.5 cent per share (2004: 49.7 cent). Over the two years 2004 and 2005, a total of €225.7 million in free cash was generated and €264.0 million was invested in acquisitions and capital expenditure.

Operational working capital at the year end was €175.1 million (2004: €154.2 million) and represented 14.1% of turnover (2004: 16.1%), against a company target of 15%. Working capital expressed as days sales, which takes into account the phasing of sales, has remained constant at 33 days compared with prior year end.

Return on Capital Employed

The return on capital employed, being profit before interest and taxation as a percentage of shareholders' funds plus net debt at the year end, was constant at 25% compared to 2004.
If goodwill previously written off of €80.7 million was still on the balance sheet, the corresponding figures would be 22% in 2005 and 21% in 2004.

Treasury

At 31st December 2005, the Group had total facilities of €541.5 million comprising syndicated bank facilities of €325.0 million, €151.5 million loan notes and €65.0 million of overdraft and other facilities. The syndicated facilities consist of a €100.0 million term loan with repayments of €25.0 million per annum to 16th December 2009 and €225.0 million revolving credit which will also mature at that date.

On 29th March 2005, the Group had a successful private placement of $200.0 million (€151.5 million) loan notes with maturities of 10 and 12 years. These notes were then swapped into fixed interest EUR giving the Group a broad range of debt providers with an appropriate mix of debt maturity at competitive interest rates.

The drawn down bank facilities and loan notes at 31st December 2005 were €255.5 million, comprising €197.3 million EUR debt and €58.2 million of STG debt.

It is Group policy to enter into interest rate hedging to limit interest rate exposure on a proportion of the Group's medium to long term debt. Approximately 66% of drawn down bank facilities were subject to interest rate swaps, at 3.89% on the EUR debt and at 4.97 % on the STG debt. €151.5 million of EUR swaps expire on the maturity of the loan notes,

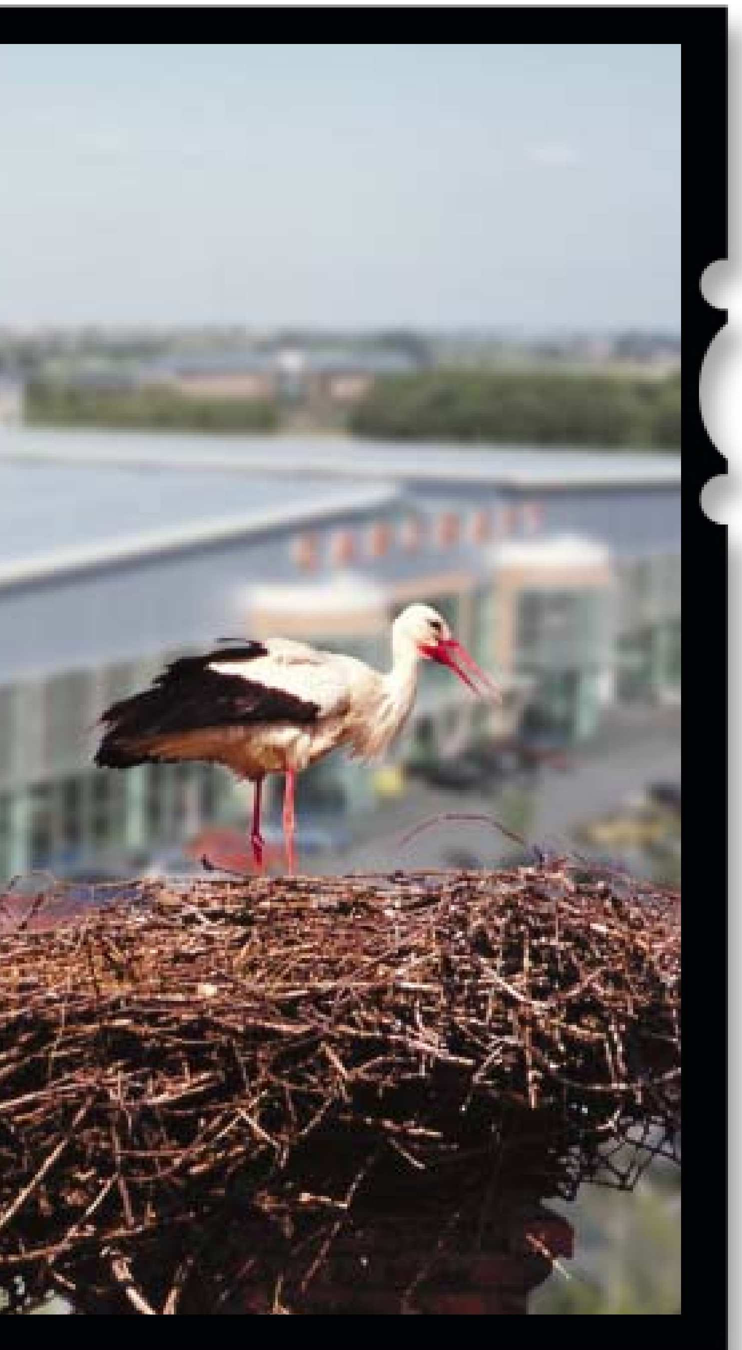
a further €10.0 million of EUR swaps and €7.0 million of STG swaps expire on 31st December 2006.

Currently the Group does not enter into any external hedges to limit the exposure on translating non-Euro earnings.

Foreign exchange transaction exposures are internally hedged as far as possible and to the extent that they are not, such residual exposures are hedged on a rolling 12 month basis.

Pension Deficit

The Group has two legacy defined benefit pension schemes in the UK. These schemes have been closed and the liability relates only to past service. As at 31st December 2005 there were assets in the schemes of €52.4 million and actuarial assessed pension liabilities of €76.4 million, giving a net deficit of €24.0 million. The corresponding liability at 31st December 2004 was €22.7 million.



These changes are summarised as follows:

Net profit before tax reconciliation for the year ended 31st December 2004

	€million	€million
Irish GAAP		88.0
Defined benefit pension deficit	2.3	
Share based payment	(1.8)	
Goodwill amortisation	7.9	
		8.4
IFRS		96.4

Shareholders' fund reconciliation for the year ended 31st December 2004

	€million	€million
Irish GAAP		302.2
Defined benefit pension deficit	(22.7)	
Deferred tax on pension	6.8	
Share based payment	0.4	
Goodwill amortisation	7.9	
Final dividend accrual	10.3	
Others (taxation)	(0.3)	
		2.4
IFRS		304.6

International Financial Reporting Standards (IFRS)

The Financial Statements for 2005 and the comparatives for 2004 have been prepared and are presented using IFRS while the annual Financial Statements for 2004 and prior years were prepared in accordance with accounting practice generally accepted in Ireland (GAAP). The effect of this change on the 2004 profits as previously reported was an increase in the net profit before tax of €8.4 million and an increase in the tax charge of €0.3 million. The effect on shareholders funds was an increase of €2.4 million.

Summary

Overall the Group is in a strong financial position going into 2006 and is well positioned for continued growth. The balance sheet is conservatively geared and this will enable the Group to comfortably fund its anticipated growth, through both organic means and bolt on acquisitions.

Dermot Mulvihill

Finance Director

6th March 2006

Directors

Eugene Murtagh* (Age 63)	is Group Chairman and the Group's co-founder.
Gene M. Murtagh (Age 34)	was appointed Chief Executive on 1st January 2005. Previously he was Chief Operating Officer, Managing Director of the Group's Insulated Panel business and Managing Director of the Environmental Container business.
Brendan Murtagh B.Comm. (Age 60)	is Head of Corporate Development and the Group's co-founder. He is also a Non-executive Director of Howard Holdings plc and Rushbrook Properties plc.
Dermot Mulvihill F. C.A., M.B.A. (Age 56)	joined the Group in 1986 and is Group Finance Director.
Russell Shiels B.Bus.Sc. (Age 45)	has management responsibility for the Group's Raised Access Floors business based in Maryland, USA. He was previously Managing Director of the Group's Building Components and Raised Access Floors businesses in the UK. Before joining the Group he worked in a number of senior management roles in the building materials sector in South Africa and the UK.
Peter Wilson (Age 49)	is Managing Director of the Group's Insulation business and has worked for the Group for twenty-four years.
Noel Crowe F.C.A. (Age 47)	is Managing Director of the Group's Environmental Containers business and has worked for the Group for five years. He previously held a number of senior management positions in ABB Inc. and ABB Industrial Systems Limited.
Eoin McCarthy* (Age 64)	works on special projects and has been with the Group for over thirty years.
Kevin O'Connell* B.E., C.Eng., F.I.E.I., M.B.A. (Age 68)	joined the Board in 1983 and is Chairman of the Remuneration Committee. His career in general management has spanned industry and banking. He is currently a Non-executive Director of L & P Group Limited and The Centre for Boardroom Studies Limited.
Brian Joyce* B.A., B.Comm., F.C.M.A. (Age 65)	joined the Board in 2003. He was formerly Managing Director of the Irish Dairy Board, and is currently Non-executive Chairman of the EBS Building Society and the Mater Private Hospital.
Tony McArdle* (Age 57)	joined the Board in 2003, and is Chairman of the Audit Committee. He was previously a Director of Ulster Bank where he held a number of senior positions.
David Byrne* S.C., B.A., F.C.I. Arb., (Age 58)	joined the Board in January 2005. He served as the EU Commissioner for Health and Consumer Protection from September 1999 until November 2004. Prior to this, he served as Attorney General in the Irish Government. He is currently a Non-Executive Director of Irish Life and Permanent plc.
Brian Hill* B.E., C.Eng., F.I.Mech.E., M.Eng.Sc., M.B.A. (Age 61)	joined the Board in June 2005. He was formerly a Director of CRH plc where he held a number of senior positions. He is currently a Non-executive Director of Unidare plc and Wavin BV.

*Denotes Non-executive Director

Secretary

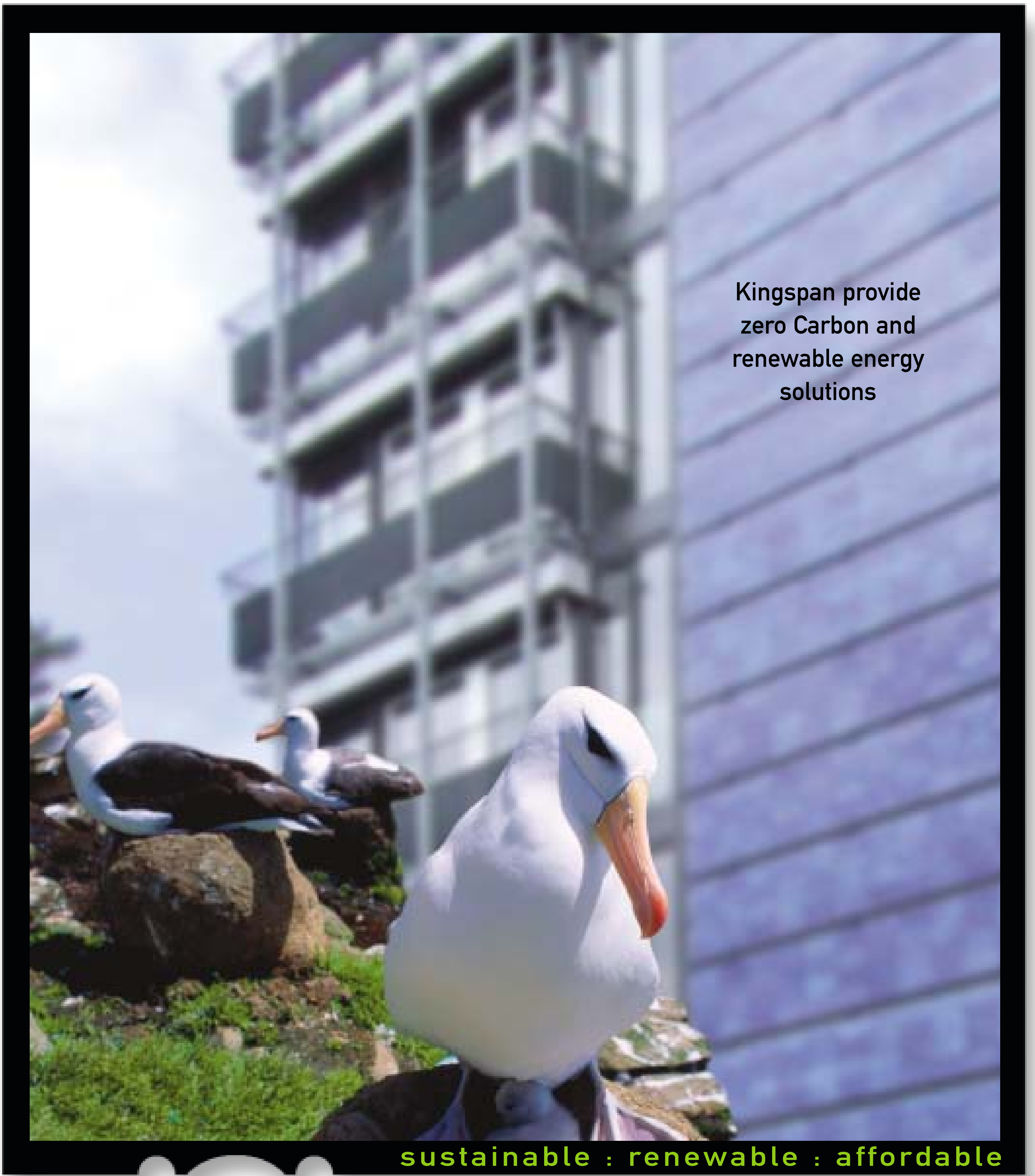
Lorcan Dowd B.C.L. (Age 37)	was appointed Group secretary in July 2005.

Board Committees

Audit Committee	Tony McArdle (Chairman), Brian Joyce, Eoin McCarthy, Kevin O'Connell, David Byrne.
Nominations Committee	Eugene Murtagh (Chairman), Brian Joyce, Tony McArdle, Eoin McCarthy, Brendan Murtagh, Kevin O'Connell.
Remuneration Committee	Kevin O'Connell (Chairman), Brian Joyce, Tony McArdle, Eoin McCarthy.
Senior Independent Director	Brian Joyce.

Company Information

Registered Office:	Dublin Road, Kingscourt, Co. Cavan.		
Principal Bankers:	IIB Bank ABN AMRO Bank Allied Irish Banks	Bank of Ireland Barclays Bank Bayern LB	Ulster Bank Wachovia Bank
Auditors:	Grant Thornton, Registered Auditors and Chartered Accountants, 24-26 City Quay, Dublin 2.		
Solicitors:	McCann FitzGerald, 2 Harbourmaster Place, IFSC, Dublin 1. Macfarlanes, 10 Norwich Street, London, EC4A 1BD.		
Registrar and Transfer Office:	Computershare Investor Services (Ireland) Limited, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18.		
Stockbrokers:	Goodbody Stockbrokers, Ballsbridge Park, Ballsbridge, Dublin 4. Investec Bank (UK) Limited, 2 Gresham Street, London EC2V 7QP.		




Solar Photovoltaic


Solar Panels


Natural Ventilation


Natural Daylighting

Report of the Directors

The Directors have pleasure in presenting their report with the audited Financial Statements for the year ended 31st December 2005 which are set out on pages 48 to 80.

Operating and Financial Review

Kingspan Group plc is a leading manufacturer of an integrated range of products for the construction industry. A review of the performance and development of the Group's business during the year and commentary on the results and on future developments are contained in the Chairman's Statement, Chief Executive's Review and Financial Review on pages 2 to 21.

A review of the Group's financial controls and the principle risks facing the business are set out in the Report of the Audit Committee on pages 35 to 38.

The Financial Review on pages 15 to 21 sets out the Group's key financial performance indicators, and treasury management and hedging policies.

Results and Dividends

Group turnover was €1,243.4 million (2004: €958.1 million), operating profit was €145.1 million (2004: €103.3 million), and earnings per share were 66.4 cent (2004: 47.1 cent).

An interim dividend of 4.45 cent (2004: 3.4 cent) was paid on the 7th October 2005. The Directors recommend payment of a final dividend of 8.95 cent per share (2004: 6.2 cent). This will give a total dividend for the year of 13.4 cent (2004: 9.6 cent) per ordinary share. The final dividend (if approved at the Annual General Meeting) will be paid on the 9th June 2006 to shareholders on the register at close of business on the 24th March 2006.

Research & Development

The Group continues to place considerable emphasis on research and development of existing and new products and on the improvement of the production process. Further details of research and development expenditure are contained in the Chief Executive's Review.

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 appointed suitable accounting personnel, including a professionally qualified Finance Director, in order to ensure that those requirements 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.

Corporate Governance

The Directors are committed to achieving the highest standards of corporate governance and a detailed statement describing how the Principles of Good Governance set out in the Combined Code on Corporate Governance have been applied by the Company is set out on pages 39 to 42.

Corporate Social Responsibility

The Group's Corporate Social Responsibility Statement is set out on page 43 of the Annual Report.

Directors and Secretary

The Directors of the Company at the date of this report are shown on page 22.

David Byrne S.C. was co-opted on to the Board as a Non-executive Director on the 1st January 2005, and was duly elected at the Annual General Meeting on the 27th May 2005.

Brian Hill was co-opted on to the Board as a Non-executive Director on the 1st June 2005 and offers himself for election at the forthcoming Annual General Meeting.

Jim Paul retired from the Board on the 31st December 2005.

Lorcan Dowd was appointed as Company Secretary on the 25th July 2005.

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:

	31st December 2005	31st December 2004
Eugene Murtagh	**35,000,000**	40,000,000
Gene M. Murtagh	**78,000**	78,000
Brendan Murtagh	**7,525,000**	7,525,000
Dermot Mulvihill	**900,830**	1,010,830
Russell Shiels	**280,330**	204,330
Peter Wilson	**100,670**	100,670
Noel Crowe	**-**	-
Eoin McCarthy	**3,000,000**	3,000,000
Kevin O'Connell	**26,130**	76,130
Brian Joyce	**-**	-
Tony McArdle	**14,250**	14,250
David Byrne	**200**	-
Brian Hill	**1,000**	-
Jim Paul (retired 31/12/05)	**-**	163,165
Lorcan Dowd	**-**	-
	46,926,410	52,172,375

There have been no changes in these interests between 31st December 2005 and the date of this report.

Details of the Directors' share options are set out in the report of the Remuneration Committee on pages 29 to 34.

Substantial Interests

The Directors have been notified of the following other substantial shareholdings as at the date of this report:

Institution	**Shares held**	**%**
Bank of Ireland Asset Management	8,708,162	5.14%
AIB Investment Managers	6,607,204	3.90%
Irish Life Investment Managers	5,255,939	3.10%

Conflicts of Interest

Save as set out in this Annual Report, none of the Directors have 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.

Political Donations

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

Significant Events since Year End

There have been no significant events since the year end.

Subsidiary Companies

The Company's principal subsidiary undertakings at 31st December 2005, country of incorporation and nature of business are listed on pages 77 to 80.

Going Concern

The Directors have reviewed budgets, projected cash flows and other relevant information, and, on the basis of this review, are confident that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. 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 auditors, Grant Thornton, Registered Auditors, will continue in office.

On behalf of the Board

Eugene Murtagh, Chairman
Gene M. Murtagh, Chief Executive

6th March 2006

Annual General Meeting and Shareholder Information

The Annual General Meeting of the Company will be held at The Herbert Park Hotel, Ballsbridge, Dublin 4 on 25th May 2006 at 11.00 a.m. The Notice of the Meeting together with a Proxy Form are being sent to shareholders with this Annual Report.

Re-election of Directors

Brendan Murtagh, Dermot Mulvihill and Gene M. Murtagh retire by rotation, and offer themselves for re-election at the Annual General Meeting.

Brian Hill who was appointed on to the Board as a Non-executive Director on the 1st June 2005 offers himself for election at the Annual General Meeting.

Eugene Murtagh, Kevin O'Connell and Eoin McCarthy, Non-executive Directors, who have each served on the Board for a period greater than nine years, offer themselves for re-election.

The Chairman, having regard to the performance and contribution of all of the above Directors during the year, is of the view that each of the above Directors continues to be effective and committed to the role, and recommends their re-election.

Special Business at the Annual General Meeting

Shareholders are being asked to renew, until the Annual General Meeting in 2007, the authority to allot any unissued share capital of the Company. No issue of shares will be made which could effectively alter control of the Company without prior approval of the shareholders in General Meeting. At present the Directors do not intend to issue any shares.

Shareholders are being asked to renew, until the Annual General Meeting in 2007, the power of the Directors to disapply the statutory pre-emption provisions applying to ordinary shares in the event of a rights issue or in any other issue for cash up to an aggregate of 5% of the nominal value of the Company's issued ordinary share capital.

Shareholders are also being asked to renew, until the Annual General Meeting in 2007, the authorisation for the Company, or any of its subsidiaries, to purchase up to 10% of the Company's own shares and to reissue such shares purchased by it and not cancelled. The Directors would only exercise the power to purchase the Company's own shares at price levels which they considered to be in the best interests of the shareholders generally, after taking account of the Company's overall financial position. The minimum price which may be paid for a purchase of the Company's own shares shall be the nominal value of the ordinary shares, and the maximum price which may be paid shall be 105% of the then average market price of the ordinary shares.

Shareholders are being asked to approve that, where the Company's shares have been repurchased, (such shares being known as treasury shares), these shares may be sold offmarket at a maximum price of 120% of the Appropriation Average (as defined in the resolution), and a minimum price of 95% of the Appropriation Average.

Special Business at the Extraordinary General Meeting

Subject to the passing of Resolution 7 renewing the authority of the Company to buy back up to 10% of its issued share capital, and in the circumstances described in the separate circular sent to shareholders, those shareholders who are independent of the Directors of the Company are asked to approve that none of the Murtagh Directors or of the Kingspan Directors shall by reason of an increase in their holding be obliged to make an offer to shareholders of the Company under Rule 9.1 or Rule 37(a) of the Irish Takeover Panel Act, 1997 Takeover Rules, 2001 and 2002.

Registrar

Administrative enquiries about the holding of Kingspan Group Plc shares should be directed to:

The Company Registrar:
Computershare Investor Services (Ireland) Limited
Heron House
Corrig Road
Sandyford Industrial Estate
Dublin 18

Amalgamation of Shareholding Accounts

Shareholders who receive duplicate sets of Company mailings due to multiple accounts in their name should write to the Company's Registrar to have their accounts amalgamated.

Financial Calendar

Preliminary Results announced: *6th March 2006*

Annual General Meeting: *25th May 2006*

Extraordinary General Meeting: *25th May 2006*

Payment date for 2005 Final Dividend:
9th June 2006

Ex dividend date: *22nd March 2006*

Announcement of Interim Results for 2006:
Early September 2006

Payment date for 2006 Interim Dividend:
End October 2006.

Shareholder Analysis as at the date of this report

Shareholding range	Number of accounts	% of total	Number of shares held	% of total
1 - 1000	2,341	44.9	1,311,846	0.8
1,001 – 10,000	2,409	46.2	7,925,776	4.7
10,001 – 100,000	359	6.9	10,362,444	6.1
100,001 – 1,000,000	82	1.6	27,965,242	16.5
Over 1,000,000	23	0.4	121,809,121	71.9
	5,214	100.0	169,374,429	100.0

Report of the Remuneration Committee

Role and 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. It is the aim of the Remuneration Committee 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 principle terms of reference of the remuneration committee are:

- to establish the remuneration policy applicable to the Executive Directors including bonuses and other incentive payments, to encourage an enhanced performance and reward individuals for their contribution to the success of the Group;
- to approve the grant of share options 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 Company's compliance with the Combined Code and best practice, in so far as concerns the Company's remuneration policies.

The Remuneration Committee consists entirely of Non-executive Directors, membership of which is set out on page 22. The Committee invites the Chairman and Chief Executive to attend committee meetings when deemed appropriate.

Policy on Remuneration of Executive Directors

In setting remuneration levels the Remuneration Committee aims to ensure that the Executive Directors' remuneration reflects market rates, and takes into consideration the remuneration practices of other Irish quoted companies of similar size and scope. It takes independent professional advice in this regard.

The various elements of the remuneration package for Executive Directors comprise the following:

- Basic salary and benefits. In addition to the basic salary determined as above, Executive Directors' benefits relate to health insurance premiums and to the use by the Executive Directors of company cars.
- Annual bonus. Executive Directors received bonus payments based on the attainment of Group and/or divisional profit targets set at the start of the year by the Remuneration Committee. The Remuneration Committee considers that a significant proportion of the Executive Directors' total package is linked to corporate and individual performance.
- Pension scheme. The Group operates a defined contribution pension scheme for Executive Directors. Pension contributions are calculated on basic 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 share option scheme. In addition, there is a long-term incentive plan for Directors and senior Executives. Details of both schemes are set out below.

The bonus and share option incentives are designed to provide rewards for achieving objectives that will increase shareholder value. The overall packages are reviewed annually by the Remuneration Committee, having regard to personal performance, competitive market practice and comparative information.

Directors' Remuneration

Executive Directors	Basic Salary €'000	Benefit in kind €'000	Performance related bonus €'000	Pension contributions €'000	2005 Total €'000	2004 Total €'000
Eugene Murtagh[1]	-	-	-	-	-	980
Gene M. Murtagh	430	10	215	64	719	601
Brendan Murtagh	400	33	200	388	1,021	972
Dermot Mulvihill	300	24	75	366	765	702
Jim Paul[2]	256	29	128	51	464	462
Russell Shiels	266	21	133	55	475	456
Peter Wilson	241	20	121	48	430	381
Noel Crowe	206	12	103	31	352	316
	2,099	149	975	1,003	4,226	4.870

Non-executive Directors

	2005 Non-executive fees €'000	2004 Non-executive fees €'000
Eugene Murtagh (Chairman)[3]	150	-
Eoin McCarthy[4]	55	45
Tony McArdle	55	45
Kevin O'Connell	55	48
Brian Joyce	55	45
David Byrne[5]	55	-
Brian Hill[6]	32	-
Tom Mulcahy[7]	-	19
	457	202

1 Mr Eugene Murtagh resigned as Executive Director effective from 1st January 2005.
2 Mr Jim Paul retired as Executive Director on 31st December 2005.
3 Mr Eugene Murtagh was appointed as a Non-executive Director on 1st January 2005. The Company also paid a contribution to his personal pension scheme of €112,500.
4 Mr Eoin McCarthy was also paid €63,407 (2004: €63,488) in respect of other services provided to the Group.
5 Mr David Byrne was appointed as a Non-executive Director on 1st January 2005.
6 Mr Brian Hill was appointed as a Non-executive Director on 1st June 2005.
7 Mr Tom Mulcahy retired as a Non-executive Director on 31st May 2004.

Number of Directors at year-end	2005	2004
Executive Directors	**6**	8
Non-executive Directors	**7**	4
Total	**13**	12

Average number of Directors during the year	2005	2004
Executive Directors	**7**	8
Non-executive Directors	**7**	4
Total	**14**	12

Standard Share Option Scheme

Under the terms of the share option scheme approved by shareholders in May 1998, (the Standard Scheme), share options may be awarded to Executive Directors. Such options are exercisable only when earnings per share (EPS) growth exceeds growth of the Irish Consumer Price Index over a period of at least three years subsequent to the granting of the options, by at least 2% per annum compound. The percentage of share capital which can be issued under the scheme and individual grant limits comply with I.A.I.M. guidelines. Grants of share options are awarded annually to ensure a smooth progression over the life of the scheme and at the market price of the Company's shares at the time of the grant. Under the share option scheme, options become exercisable three years after they are granted and remain exercisable for seven years. Details of the options granted to the Executive Directors under the Standard Scheme are set out on page 32.

Long-Term Incentive Plan

The objective of the long-term incentive plan, approved by shareholders in May 2001, is to motivate and reward Executive Directors and senior Executives for exceptional performance. Share options granted to an individual under the terms of the plan are exercisable only if certain performance criteria are achieved in the three year period following the end of the accounting period ending prior to that in which the options were granted. These conditions are:

- EPS growth must increase by at least the composite inflation index plus 10% per annum compound over the three years; and
- For 100% of the award to vest, EPS growth must be at or above the third quartile of companies in the FTSE 250. If EPS growth is at the second quartile, 50% of the award will vest, and if EPS growth is between the second and third quartiles, between 50% and 100% of the award on a sliding scale will vest.

Otherwise the shares do not vest.

Details of Share Options granted to PLC Directors under Standard Share Option Scheme

Director	At 31st Dec 2004	Granted during year	Exercised during year	At 31st Dec 2005	Option price Cent	Average option price Cent	Earliest exercise date	Expiry date
Eugene Murtagh	120,000			120,000	245		11/10/2004	11/10/2011
	120,000			**120,000**		**245**		
Brendan Murtagh	120,000			120,000	245		11/10/2004	11/10/2011
	120,000			120,000	135		09/10/2005	09/10/2012
	125,000			125,000	330		18/09/2006	18/09/2013
	250,000			250,000	565		23/09/2007	23/09/2014
	-	10,097		10,097	1090		05/09/2008	05/09/2015
	615,000	**10,097**		**625,097**		**382**		
Gene M. Murtagh	62,500			62,500	267		25/09/2001	25/09/2008
	40,000			40,000	235		29/03/2002	29/03/2009
	40,000			40,000	310		28/04/2003	28/04/2010
	100,000			100,000	245		11/10/2004	11/10/2011
	100,000			100,000	135		09/10/2005	09/10/2012
	66,000			66,000	330		18/09/2006	18/09/2013
	200,000			200,000	565		23/09/2007	23/09/2014
	-	36,195		36,195	1090		05/09/2008	05/09/2015
	608,500	**36,195**		**644,695**		**389**		
Dermot Mulvihill	100,000			100,000	245		11/10/2004	11/10/2011
	100,000			100,000	135		09/10/2005	09/10/2012
	125,000			125,000	330		18/09/2006	18/09/2013
	115,000			115,000	565		23/09/2007	23/09/2014
	-	10,856		10,856	1090		05/09/2008	05/09/2015
	440,000	**10,856**		**450,856**		**346**		
Jim Paul	41,665		(41,665)[1]	-	125			
	100,000		(100,000)[1]	-	245			
	100,000		(100,000)[2]	-	135			
	100,000			100,000	330		18/09/2006	18/09/2013
	341,665		**(241,665)**	**100,000**		**330**		
Russell Shiels	289,000		(289,000)[3]	-	128			
	83,335		(83,335)[3]	-	125			
	100,000			100,000	245		11/10/2004	11/10/2011
	100,000		(76,000)[2]	24,000	135		09/10/2005	09/10/2012
	50,000			50,000	565		23/09/2007	23/09/2014
	-	22,571		22,571	1090		05/09/2008	05/09/2015
	622,335	**22,571**	**(448,335)**	**196,571**		**410**		
Peter Wilson	125,000			125,000	264		25/09/2001	25/09/2008
	100,000			100,000	565		23/09/2007	23/09/2014
	-	11,884		11,884	1090		05/09/2008	05/09/2015
	225,000	**11,884**		**236,884**		**433**		
Noel Crowe	55,000			55,000	245		11/10/2004	11/10/2011
	30,000			30,000	135		09/10/2005	09/10/2012
	30,000			30,000	330		18/09/2006	18/09/2013
	50,000			50,000	565		23/09/2007	23/09/2014
	-	38,192		38,192	1090		05/09/2008	05/09/2015
	165,000	**38,192**		**203,192**		**479**		

1 The share price on exercise date was €9.45.
2 The share price on exercise date was €10.10.
3 The share price on exercise date was €10.50.

Details of share options granted to Directors under Long-Term Incentive Share Option Scheme

Director	At 31st Dec 2004	Granted during year	Exercised during year	Cancelled during year	At 31st Dec 2005	Option price Cent	Average option price Cent	Earliest exercise date	Expiry date
Eugene Murtagh	41,000			(41,000)	-	13			
	41,000			**(41,000)**	**-**		**13**		
Brendan Murtagh	38,000			(38,000)	-	13			
	38,000			(38,000)	-	13			
	35,000				35,000	13		18/09/2006	18/09/2010
	41,000				41,000	13		23/09/2007	23/09/2011
	-	23,689			23,689	13		05/09/2008	05/09/2012
	152,000	**23,689**		**(76,000)**	**99,689**		**13**		
Gene M. Murtagh	33,000			(33,000)	-	13			
	33,000			(33,000)	-	13			
	30,000				30,000	13		18/09/2006	18/09/2010
	37,000				37,000	13		23/09/2007	23/09/2011
	-	25,437			25,437	13		05/09/2008	05/09/2012
	133,000	**25,437**		**(66,000)**	**92,437**		**13**		
Dermot Mulvihill	33,000			(33,000)	-	13			
	33,000			(33,000)	-	13			
	30,000				30,000	13		18/09/2006	18/09/2010
	29,000				29,000	13		23/09/2007	23/09/2011
	-	17,864			17,864	13		05/09/2008	05/09/2012
	125,000	**17,864**		**(66,000)**	**76,864**		**13**		
Jim Paul	33,000			(33,000)	-	13			
	33,000			(33,000)	-	13			
	29,000				29,000	13		18/09/2006	18/09/2010
	95,000			**(66,000)**	**29,000**		**13**		
Russell Shiels	33,000			(33,000)	-	13			
	33,000			(33,000)	-	13			
	30,000				30,000	13		18/09/2006	18/09/2010
	27,000				27,000	13		23/09/2007	23/09/2011
	-	15,977			15,977	13		05/09/2008	05/09/2012
	123,000	**15,977**		**(66,000)**	**72,977**		**13**		
Peter Wilson	24,000				24,000	13		23/09/2007	23/09/2011
	-	14,842			14,842	13		05/09/2008	05/09/2012
	24,000	**14,842**			**38,842**		**13**		
Noel Crowe	20,000				20,000	13		23/09/2007	23/09/2011
	-	12,394			12,394	13		05/09/2008	5/09/2012
	20,000	**12,394**			**32,394**		**13**		

The Company's Register of Directors' Interests, which is open to inspection at the Company's registered office, contains full details of Directors' shareholdings and share options.

Non-executive Directors

The Non-executive Directors each receive a fee which is determined by the Board to reflect 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 Company paid a contribution to his personal pension scheme.

Service Contracts

No Director has a service contract in excess of one year.

Compliance

The Company has complied throughout the year with the Listing Rules of the Irish Stock Exchange and its best practice provisions in relation to Director's Remuneration, and has given full consideration to Section B of the Best Practice Provisions annexed to the Stock Exchange Listing Rules.

Kevin O'Connell
Chairman, Remuneration Committee

Report of the Audit Committee

Role and Composition of the Audit Committee

The Board has delegated responsibility to the Audit Committee for monitoring and reviewing the Group's financial reporting arrangements, internal audit and internal control principles, and for monitoring and maintaining the relationship with the Company's external auditors. 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 financial controls and internal control 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;
- Developing and implementing a policy on 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.

The Audit Committee consists entirely of Non-executive Directors, membership of which is set out on page 22. It meets a minimum of three times per year. The external auditors attend these meetings as required and have direct access to the committee and its chairman at all times. The Finance Director, head of internal audit and other Group Executives attend these meetings as and when required. The committee also meets the external auditors without management present to discuss matters relating to its remit and any issues arising from the audit generally.

The head of internal audit reports directly to the chairman of the Audit Committee and both internal audit and external auditors have direct access to the committee chairman at all times.

Functions of the Audit Committee

The Audit Committee discharges its responsibilities in the following manner:

- Prior to their release, it reviews the preliminary results, announcements and Annual Reports and questions the external auditor, the internal auditors and the Finance Director in this regard. It compares the results with management accounts and budgets, and reviews reconciliations between these and final results. It receives a report from the external auditors at that meeting identifying any accounting or judgemental issues arising from the audit requiring its attention.
- It reviews Group accounting policies on an annual basis.

- Prior to their release, it reviews the interim results announcements and Interim Reports. It compares the results with management accounts and budgets, and reviews reconciliations between these and the interim results.
- It reviews the performance of the external auditors, considering the quality of the reports and advice provided to the committee. It also considers the level of understanding of the Group's business, the objectivity of the auditors' views of the Group's internal controls and their ability to complete the audit within tight deadlines.
- It reviews the external auditors' work plan both before and after the audit. It reviews all audit findings, adjustments, proposed management letters and recommendations and management responses thereto, and monitors action taken by management as a result of any recommendations.
- It reviews and approves the annual internal audit plan, and carries out a regular assessment of the resources available to deliver on the plan in a timely fashion.
- It reviews all reports from the internal auditors and management responses to such reports and action points arising from them.
- It reviews all relevant reports and recommendations from external consultants on an exception basis.
- It reviews annually the Group risk analysis and management action and strategy to deal with identified risks.

Auditor Objectivity and Independence

The auditors are permitted to provide non-audit services that are not, or are not perceived to be, in conflict with auditor independence, provided that they have the skills and integrity to carry out the work and are considered to be the most appropriate to undertake such work in the best interests of the Group. The Audit Committee ensures that the independence of the external audit is not compromised by:

- Seeking confirmation from the external auditors that in their professional judgement they are independent from the Group;
- Obtaining an account of all relationships between the external auditors and the Group;
- Reviewing the economic importance of the Group to the external auditors by monitoring the audit fees as a percentage of the total fee income generated from the relationship with the Group.
- The Audit Committee also compares the total fee income of the external auditors generated from their relationship with the Group with their total fee income, in light of the ethical guidelines as set down by the Institute of Chartered Accountants in Ireland.

Internal Control

The Board of Directors has overall responsibility for the Group's system of internal control and has delegated responsibility for the implementation of this system to executive management. This delegation 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 key elements of the Group's system of internal control include the following:

- A clearly defined organisation structure with formal lines of authority, accountability and responsibility;
- A formal schedule of matters specifically reserved for decision by the Board;
- Regular assessment of major business risks, including investment and financing;
- A comprehensive annual budgeting process and a review by the Board of actual performance compared with budget on a monthly basis;
- Clearly defined and appropriate levels of authorisation for all transactions;
- The Audit Committee and the internal audit function;
- The chairman of the Audit Committee reports to the Board on all significant issues considered by the committee, and the minutes of its meetings are circulated to all Directors;
- Systematic monitoring and assessment of risk areas through management and Board reviews.

The Directors confirm that they have conducted an annual review of the effectiveness of the system of internal control up to and including the date of approval of the financial statements. The process used by the Board for this review includes:

- The review by the Audit Committee of the external and internal auditors' work plans, reports and internal control recommendations;
- Review by the Board and Audit Committee of the specific identified risk areas;
- Consideration of reports from management and internal and external auditors on the system of internal control and on material control weaknesses;
- Discussions with management on the implementation of strategies on any internal control and risk areas identified;
- Consideration by the Board of the impact of the Companies (Auditing and Accounting) Act 2003 on the Group.

The approach by the Board is proactive in identifying possible weaknesses and obtaining the relevant degree of assurance on specific areas of internal control and not merely reporting by exception.

Code of Conduct

During the year the Board adopted an updated 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 . At the same time procedures have been adopted and notified to all employees, by which staff are encouraged to raise any concerns about possible improprieties or breaches of the Code of Conduct in any area of the Group. All breaches are reported to the head of internal audit, who reports to the Audit Committee. The committee will review this policy annually and satisfy itself that there is appropriate investigation and follow up on any concerns raised.

Risk Assessment

The Directors confirm that the Group's ongoing process for identifying, evaluating and managing its significant risks is in accordance with the Turnbull guidance (Internal Control; Guidance for Directors on the Combined Code). The process has been in place throughout the accounting period and up to the date of approval of the Annual Report and Financial Statements, and is regularly reviewed by the Board.

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

Tony McArdle
Chairman, Audit Committee

Corporate Governance

The Directors continue to endorse and apply the principles of good corporate governance set out in the Combined Code. This statement describes how the principles of the 2003 FRC Combined Code on Corporate Governance, as appended to the Listing Rules of the Irish Stock Exchange and the UK Listing Authority, have been applied by the Company.

The Board

The Board provides the Company with entrepreneurial leadership and effective controls. It sets the Company's strategic aims, and establishes the Company's values and standards.

The Board currently consists of 13 Directors whose names and other details appear on page 22. Six of the Directors are Executives, and seven including the Chairman are Non-executive Directors. 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 Director's 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 has determined the following Non-executive Directors to be independent: Brian Joyce, Brian Hill, David Byrne, Tony McArdle and Kevin O'Connell. In reaching this conclusion, the Board considered a number of factors that might appear to affect the independence of Kevin O'Connell including his length of service on the Board, and determined that the independence of his character and judgement was not compromised. Brian Joyce is currently nominated as the senior independent Director of the Company.

During the year less than half the Board, excluding the Chairman, were independent Non-executive Directors. It is the view of the Board that the range and blend of skills match the needs of the business and facilitate a sound decision-making process and control environment. It is also their view that there is sufficient balance in the Board, including a strong and independent Non-executive element, so that no individual or group of individuals can dominate decision making. As a result it is considered unnecessary to appoint an additional independent Non-executive Director at the present time.

The Board meets formally 11 times a year, as well as informally as and when required. Attendance at Board and committee meetings is set out in the table on the following page. The Board reserves for itself a formal schedule of matters on which it takes the ultimate decision. These include major capital expenditure and material contracts, acquisitions and disposals of businesses and other assets, approval of the Group's strategic plan and annual budget, appointment of senior Executives and succession planning, review of management's corporate and financial performance, and overall review of the Group's internal controls. Certain other matters are delegated to the Board committees, the roles and responsibilities of which are set out below.

The Chairman also meets separately with the Non-executive Directors (without the Executive Directors present); and the Non-executive Directors met (without the Chairman) once during the year to appraise the workings of the Board.

Attendance at Board and Board Committee meetings
during the year ended 31st December 2005

	Board		Audit		Remuneration		Nomination	
	A	B	A	B	A	B	A	B
Eugene Murtagh	11	11					2	2
Brendan Murtagh	11	11					2	2
Dermot Mulvihill	11	11						
Gene M. Murtagh	11	11						
Jim Paul[1]	11	7						
Russell Shiels	11	6						
Peter Wilson	11	11						
Noel Crowe	11	10						
Brian Hill[2]	6	6						
Eoin McCarthy	11	11	3	3	5	4	2	2
Kevin O'Connell	11	10	3	3	5	5	2	2
Brian Joyce	11	11	3	3	5	5	2	2
Tony McArdle	11	11	3	3	5	5	2	2
David Byrne[3]	11	10	2	2				

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

1 Retired 31st December 2005.
2 Appointed 1st June 2005.
3 Appointed to the Board 1st January 2005, and appointed to the Audit Committee 24th March 2005.

The Chairman and Chief Executive

With effect from 1st January 2005, Eugene Murtagh stepped down from his executive duties, to remain as Non-executive Chairman of the Company. The Board, through the Senior Independent Director, consulted in advance with major shareholders before making the change, having regard to Eugene Murtagh's prior role as Chief Executive of the Company.

There is now a clear division of responsibility set out in writing between the Non-executive Chairman, Eugene Murtagh, and the full-time Chief Executive, Gene M. Murtagh, to whom the Board has delegated responsibility for running the Company.

The Chairman is responsible for the efficient and effective working of the Board. He ensures that the Board addresses key strategic issues confronting the Group, that all members of the Board, including in particular the Non-executive Directors, have an opportunity to contribute effectively, and that there is appropriate and timely communication with shareholders. The Board considers that the Chairman's personal commitments do not hinder his ability to discharge his duties as Chairman of the Company.

Information, Professional Development and Performance Evaluation

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 about the Company's business operations and systems, and continuing training relating to the discharge of their duties as Directors and (as appropriate) management. Any training needs identified are implemented.

During the year the Chairman engaged an external firm of independent consultants to carry out a review of the performance of the Board and its committees. The review was carried out on the basis of a questionnaire based process, and a number of one-to-one interviews. The consultants have produced a written report incorporating a number of recommendations which the Chairman intends to implement. This is the first step in a two-stage process. Reviews of individual Directors' performances will be carried out once the consultant's recommendations are fully implemented as this will provide a more meaningful benchmark. The workings of the Board will be appraised annually by the Senior Independent Director.

Re-election of Directors

The Company's Articles of Association provide that newly appointed Directors are subject to election at the Annual General Meeting following their appointments. Excluding any such newly appointed Directors, one third of the Board is subject to re-election at each Annual General Meeting. Non-executive Directors are appointed to the Board for an initial term of three years, renewable with the Board's agreement, but subject to re-election by the shareholders on the normal rotation basis. Any Non-executive Director who has served more than nine years from the time of first election is subject to annual re-election thereafter.

Board Committees

The Board has established Audit, Remuneration and Nominations Committees. All Committees of the Board have written terms of reference setting out their authorities and duties and these terms are available on the Company's website www.kingspan.com. The Chairman and members of each committee are set out on page 22.

Audit Committee

The Board has established an Audit Committee to monitor the integrity of the Company's Financial Statements, and the effectiveness of the Company'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 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 on pages 35 to 38.

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 on pages 29 to 34.

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 meets at least once a year, and additionally if required, to consider the Board's membership, to identify any additional skills or experience which might benefit the Board's performance, to interview candidates and recommend appointments to or, where necessary, removals from, the Board.

During the year the committee met twice to consider and approve the appointment of suitable candidates as Non-executive Director, and company secretary respectively. The committee also reviewed a senior management appointment as head of one of the operating divisions.

The standard terms of appointment of Non-executive Directors are available, on request, from the Company Secretary.

Communication with Shareholders

The Company 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 Company's website, www.kingspan.com, in a timely fashion. 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.

Statement of Compliance

The Directors confirm that the Company, except in the respects more fully described below, has throughout the accounting period ended 31st December 2005 complied with the provisions of the Combined Code:

- For the reasons stated above, the Chairman in conducting a review of the performance of the Board and its committees, did not review the performance of individual Directors (provision A.6.1 of the Code).
- The Nominations Committee did not use the services of external consultants or open advertising in making the appointment of a Non-executive Director (provision A.4.6 of the Code).

Corporate Social Responsibility

Kingspan is committed to integrating Corporate Social Responsibility into all aspects of the Group's business activities.

The Environment

It is a key objective to conduct its business activities in an environmentally responsible manner. Under Kingspan's environmental policy, the Group is committed to:

- Complying with applicable environmental legislation;
- Optimising energy and raw material usage;
- Prevention of pollution and environmental damage;
- Continuous improvement of environmental performance;

Most of our manufacturing sites in Ireland and in the UK are either accredited to ISO 14001:1996 standard or better, or are working towards achieving it. Each division is set challenging environmental performance targets for example to reduce packaging, recycle waste and reduce landfill, and to cut energy inputs per product.

We actively promote environmental awareness among Kingspan employees by providing appropriate training programs and by designating champions at local levels.

We engage external consultants to conduct Environmental Audits at key manufacturing locations who report back to the Board.

The Workplace

Kingspan aims to provide a safe working environment to all its employees. Health and safety is a daily priority of the line management.

Health and safety performance goals are measured against a benchmark score, and management are given targets to reduce the number of accidents, and in particular serious accidents, on each site. Safety results for the entire Group are closely monitored by senior management and are reported to the Board on a monthly basis.

The Community

Building a strong relationship between Kingspan companies and the communities in which they operate, has long been a tradition of the Group. These links have been forged in many and various ways. Through the sustainability programme, Kingspan actively promotes sourcing from local suppliers for business operations. Other community involvement includes:

- Supporting local initiatives;
- Sponsoring local sport;
- Contributing to a variety of good causes both locally and overseas where we feel we can make a real difference.

Business Conduct

Kingspan is committed to acting responsibly and maintaining high standards of ethics and integrity in all its dealings with its customers, suppliers, and other stakeholders. The Group's Code of Conduct sets out the fundamental principles which it requires all its directors, officers and employees to adhere to in order to meet those standards including compliance with the law, prohibition of any kind of fraud or corruption, conflicts of interest, and use of confidential information.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and IFRS as adopted by the European Union.

Company law in Ireland requires the Directors to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group 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;
- Disclose and explain any material departures from applicable accounting standards;
- 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 accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the Financial Statements are prepared in accordance with accounting standards generally accepted in Ireland, and comply with the Companies Acts, 1963 to 2005 and Article 4 of 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 Group's website. Legislation in the Republic of Ireland governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Independent Auditors' Report to the Members of Kingspan Group plc

We have audited the Group and parent company Financial Statements of Kingspan Group plc for the year ended 31st December 2005 which comprise the Group Income Statement, Group and parent company Balance Sheets, Group Cash Flow Statement, Group Statement of Changes in Equity, Group Statement of Recognised Income and Expense and the related notes 1 to 38. These Financial Statements have been prepared under the accounting policies set out therein.

Respective Responsibilities of Directors and Independent Auditors

The Directors' responsibilities for preparing the Annual Report and the Financial Statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted for use in the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (United Kingdom and Ireland).

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 auditors' 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.

We report to you our opinion as to whether the Group Financial Statements give a true and fair view and are properly prepared in accordance with IFRS's as adopted for use in the European Union. We report to you our opinion as to whether the parent Financial Statements give a true and fair view and are properly prepared in accordance with IFRS's as adopted for use in the European Union, as applied in accordance with the provisions of the Companies Acts 1963 to 2005. We also report to you whether the Financial Statements have been properly prepared in accordance with the Companies Acts 1963 to 2005 and Article 4 of IAS Regulation. We also report to you whether in our opinion: proper books of account have been kept by the Company; whether, at the balance sheet date, there exists a financial situation requiring the convening of an Extraordinary General Meeting of the Company; and whether the information given in the Directors' Report is consistent with the Financial Statements. In addition, we state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit and whether the Company's balance sheet is in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law or the Listing Rules of the Irish Stock Exchange regarding Directors' remuneration and Directors' transactions is not disclosed and, where practicable, include such information in our report.

We review whether the corporate governance statement reflects the Company's compliance with the nine provisions of the revised 2003 Combined Code specified for our review by the Listing Rules of the Irish Stock Exchange, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited Financial Statements. This other information comprises only the Directors' Report, the Chairman's Statement, the Chief Executive's Review, the Financial Review, the Report of the Remuneration Committee, the Report of the Audit Committee and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (United Kingdom and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Group's and parent company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements.

Opinion

In our opinion:

- The Group Financial Statements give a true and fair view in accordance with the IFRS's as adopted for use in the European Union, of the state of the Group's affairs as at 31st December 2005 and of its result for the year then ended;
- The parent company Financial Statements give a true and fair view in accordance with the IFRS's as adopted for use in the European Union as applied in accordance with the provisions of the Companies Acts 1963 to 2005, of the state of the parent company's affairs as at 31st December 2005;
- The Financial Statements have been properly prepared in accordance with the Companies Acts, 1963 to 2005 and Article 4 of IAS Regulation.

We have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Company. The Company Balance Sheet is in agreement with the books of account.

In our opinion the information given in the Directors' Report is consistent with the Financial Statements.

The net assets of the Company, as stated in the balance sheet, 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 31st December 2005 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.

GRANT THORNTON
Chartered Accountants and Registered Auditors
24-26 City Quay
Dublin 2
6th March 2006

financialstatements

Group Income Statement
for the year ended 31st December 2005

Note		Continuing Operations 2005 €'000	Acquisitions 2005 €'000	Total 2005 €'000	Total 2004 €'000
3	**REVENUE**	**1,104,555**	**138,855**	**1,243,410**	958,083
	COST OF SALES	**(764,848)**	**(101,500)**	**(866,348)**	(675,729)
	GROSS PROFIT	**339,707**	**37,355**	**377,062**	282,354
	Distribution costs	**(67,162)**	**(4,420)**	**(71,582)**	(59,269)
	Administrative costs	**(143,619)**	**(16,792)**	**(160,411)**	(119,786)
	OPERATING RESULT	**128,926**	**16,143**	**145,069**	103,299
5	Finance costs			**(11,607)**	(7,761)
6	Finance income			**1,535**	873
7	**RESULT FOR THE YEAR BEFORE TAX**			**134,997**	96,411
9	Income tax expense			**(23,628)**	(18,330)
	NET RESULT FOR THE YEAR			**111,369**	78,081
	Profit attributable to:				
	Shareholders of Kingspan Group plc			**111,378**	78,077
	Minority interest			**(9)**	4
	NET RESULT FOR THE YEAR			**111,369**	78,081
	EARNINGS PER SHARE FOR THE YEAR				
11	Basic			**66.4c**	47.1c
11	Diluted			**64.8c**	46.3c

Eugene Murtagh, Chairman

Gene M. Murtagh, Chief Executive

6th March 2006

Group Balance Sheet
as at 31st December 2005

Note		2005 €'000	2004 €'000
	ASSETS		
	NON-CURRENT ASSETS		
12	Goodwill	**217,736**	110,039
13	Other intangible assets	**12,265**	2,180
15	Property, plant and equipment	**250,757**	210,898
16	Financial assets	**755**	38
23	Deferred tax assets	**2,366**	1,639
		483,879	324,794
	CURRENT ASSETS		
17	Inventories	**97,323**	89,225
18	Trade and other receivables	**268,124**	220,787
	Cash and cash equivalents	**120,165**	87,791
		485,612	397,803
	TOTAL ASSETS	**969,491**	722,597
	LIABILITIES		
	CURRENT LIABILITIES		
19	Trade and other liabilities	**193,368**	157,164
22	Provisions for liabilities and charges	**30,252**	18,483
	Deferred consideration	**16,777**	597
20	Financial liabilities	**38,864**	108,725
	Current tax liabilities	**16,366**	19,355
		295,627	304,324
	NON-CURRENT LIABILITIES		
35	Pension and other employee obligations	**24,009**	22,664
20	Financial liabilities	**226,799**	79,435
23	Deferred tax liabilities	**5,173**	3,947
	Deferred consideration	**1,241**	7,164
		257,222	113,210
	TOTAL LIABILITIES	**552,849**	417,534
	NET ASSETS	**416,642**	305,063
	EQUITY		
	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF KINGSPAN GROUP PLC		
24	Called-up share capital	**22,003**	21,797
25	Additional paid-in share capital	**22,803**	20,260
26	Other reserves	**(23,650)**	(38,868)
27	Revaluation reserve	**713**	713
28	Capital redemption reserve	**513**	513
29	Retained earnings	**393,898**	300,233
		416,280	304,648
30	Minority interest	**362**	415
	TOTAL EQUITY	**416,642**	305,063

Eugene Murtagh, Chairman

Gene M. Murtagh, Chief Executive

6th March 2006

Group Statement of Changes in Equity as at 31st December 2005

	2005 €'000	2004 €'000
Balance at beginning of year	**305,063**	244,171
Cash flow hedging in equity	**18**	102
Actuarial losses on defined benefit pension scheme	**(2,979)**	(7,408)
Currency translation	**15,032**	(2,221)
Income taxes relating to items charged or credited to equity	**891**	2,314
Net income recognised directly in equity	**12,962**	(7,213)
Net result for the year attributable to shareholders	**111,378**	78,077
Total recognised income and expense for the year	**124,340**	70,864
Shares issued during the year	**2,749**	1,585
Employee share based compensation	**2,256**	1,764
Dividends paid during the year	**(17,713)**	(13,238)
Movement in minority interest	**(53)**	(83)
	(12,761)	(9,972)
Balance at end of year	**416,642**	305,063

Statement of Recognised Income and Expense as at 31st December 2005

	2005 €'000	2004 €'000
Net result for financial year attributable to Group shareholders	**111,378**	78,077
Cash flow hedging in equity	**18**	102
Actuarial losses on defined benefit pension scheme	**(2,979)**	(7,408)
Currency translation	**15,032**	(2,221)
Income taxes relating to items charged or credited to equity	**891**	2,314
Total recognised income and expense for the year	**124,340**	70,864

Group Cash Flow Statement
for the year ended 31st December 2005

Note		2005 €'000	2004 €'000
	OPERATING ACTIVITIES		
	Result for the year before tax	**134,997**	96,411
31	Adjustments	**46,625**	34,852
	Change in inventories	**8,032**	(21,838)
	Change in trade and other receivables	**(5,627)**	(39,779)
	Change in trade and other payables	**(4,392)**	35,754
	Pension contributions	**(2,873)**	(2,885)
	Cash generated from operations	**176,762**	102,515
	Taxes paid	**(28,159)**	(14,826)
	Net cash flow from operating activities	**148,603**	87,689
	INVESTING ACTIVITIES		
	Additions to property, plant and equipment	**(46,802)**	(55,679)
	Proceeds from disposals of property, plant and equipment	**4,654**	2,124
	Proceeds from financial assets	**29**	11
33	Purchase of subsidiary and joint venture undertakings	**(142,970)**	(18,051)
	Net cash acquired with acquisitions	**18,910**	954
	Receipt of Tate Global Corporation settlement	**-**	24,680
	Payment of deferred consideration in respect of acquisitions	**(1,441)**	(629)
	Dividends paid to minorities	**(44)**	(91)
	Interest received	**1,606**	875
	Net cash flow from investing activities	**(166,058)**	(45,806)
	FINANCING ACTIVITIES		
	Proceeds from bank loans and loan notes	**151,458**	187,338
	Repayment of bank loans	**(89,862)**	(178,342)
	Discharge of finance lease liability	**(413)**	(5)
	Proceeds from share issues	**2,749**	1,585
	Interest paid	**(9,138)**	(7,472)
	Dividends paid	**(17,713)**	(13,238)
	Net cash flow from financing activities	**37,081**	(10,134)
	CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**85,201**	52,917
	Net increase in cash and cash equivalents	**19,626**	31,749
	Translation adjustment	**5,404**	535
	CASH AND CASH EQUIVALENTS AT END OF YEAR	**110,231**	85,201
	Cash and cash equivalents as at 1st January 2005 were made up of:		
	Cash and cash equivalents	**87,791**	55,746
	Overdrafts	**(2,590)**	(2,829)
		85,201	52,917
	Cash and cash equivalents as at 31st December 2005 were made up of:		
	Cash and cash equivalents	**120,165**	87,791
	Overdrafts	**(9,934)**	(2,590)
		110,231	85,201

Company Balance Sheet
as at 31st December 2005

Note		2005 €'000	2004 €'000
	ASSETS		
	NON-CURRENT ASSETS		
16	Financial assets	**11,960**	11,960
	CURRENT ASSETS		
18	Trade and other receivables	**99,160**	87,976
	Cash and cash equivalents	**1,440**	1,376
		100,600	89,352
	TOTAL ASSETS	**112,560**	101,312
	LIABILITIES		
	CURRENT LIABILITIES		
19	Trade and other liabilities	**40,480**	18,290
	TOTAL LIABILITIES	**40,480**	18,290
	NET ASSETS	**72,080**	83,022
	EQUITY		
24	Called-up share capital	**22,003**	21,797
25	Additional paid-in share capital	**22,803**	20,260
28	Capital redemption reserve	**513**	513
29	Retained earnings	**26,761**	40,452
	TOTAL EQUITY	**72,080**	83,022

Eugene Murtagh, Chairman

Gene M. Murtagh, Chief Executive

6th March 2006

Notes to the Financial Statements as at 31st December 2005

1. ACCOUNTING POLICIES

(A) Statement of compliance

These Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Commission, which comprise standards and interpretations approved by International Accounting Standards Board (IASB), and International Accounting Standards and Standing Interpretations Committee interpretations approved by the predecessor International Accounting Standards Committee that have been subsequently authorised by IASB and remain in effect.

The table set out below provides a reconciliation of the changes to net profit before tax arising from the implementation of IFRS at 31st December 2004. A detailed reconciliation can be found in the IFRS Update presented by the Group on 12th July 2005 and is available on the Group's website (www.kingspan.com).

NET PROFIT BEFORE TAX RECONCILIATION

	2004 €'000
Irish Generally Accepted Accounting Principles (GAAP)	87,970
Defined benefit pension deficit	2,268
Share based payment	(1,764)
Goodwill amortisation	7,937
IFRS	96,411

The table set out below provides a reconciliation of the changes to shareholders' funds arising from the implementation of IFRS at 31st December 2004 and at 31st December 2003, the date of transition to IFRS. A detailed reconciliation can be found in the IFRS Update presented by the Group on 12th July 2005 and is available on the Group's website (www.kingspan.com).

SHAREHOLDERS' FUND RECONCILIATION

	2004 €'000	**2003 €'000**
Irish GAAP	302,141	248,432
Defined benefit pension deficit	(15,865)	(12,057)
Share based payment	375	32
Goodwill amortisation	7,937	-
Final dividend accrual	10,300	7,608
Other	(240)	(342)
IFRS	304,648	243,673

(B) Basis of accounting

These Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and the measurement of fair value share options and derivative instruments. The carrying value of recognised assets and liabilities that are hedged are adjusted to record changes in the fair values attributable to the risks that are being hedged.

The financial period-ends of the Group’s subsidiaries are coterminous.

Notes to the Financial Statements as at 31st December 2005

(C) Basis of consolidation

The consolidated Financial Statements incorporate the Financial Statements of the Company and its subsidiary undertakings. Where a subsidiary is acquired or disposed of during the financial year, the Group Financial Statements include the attributable results from or to the effective date of acquisition or disposal. All intra-group balances and transactions, including unrealised profit arising from intra-group transactions, are eliminated on consolidation. Jointly controlled entities are incorporated into the consolidated financial statements using the proportionate consolidation.

(D) Goodwill

Goodwill arising in respect of acquisitions completed prior to 1st 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 has not been reconsidered in preparing the opening IFRS balance sheet as at 1st January 2004, and goodwill amortisation has been ceased with effect from the transition date.

Goodwill on acquisition is 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.

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. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. 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.

(E) Intangible Assets (other than goodwill)

Intangible assets acquired separately are capitalised at cost. Intangible assets acquired from a business acquisition are capitalised at fair value as at the date of acquisition. Following initial recognition, the intangible asset is carried at its cost less any accumulated amortisation and accumulated impairment losses. Amortisation is charged on assets with finite lives and this expense is taken to the income statement through a separate line on the face of the income statement.

The amortisation rates generally applied are:

Trademark & Brands	5-10 years on a straight line basis
Technological know how	5-10 years on a straight line basis

Intangible assets, created within the business are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

(F) Revenue

Revenue comprises the total amount receivable by the Group in the ordinary course of business with outside customers for goods and services supplied, exclusive of trade discounts and value added tax.

In general, revenue is recognised to the extent that it is subject to reliable measurement, that it is probable that economic benefits will flow to the Group and that the significant risks and rewards of ownership have passed to the customer. Revenue on long term contracts is recognised in accordance with the percentage-of-completion method with the percentage-of-completion being computed on an input cost basis. No revenue is recognised if there is uncertainty regarding recovery of the consideration due at the outset of the transaction, associated costs or the possible return of goods.

(G) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns different to those of other segments. Stemming from the Group's internal organisational and management structure and its system of internal financial reporting, segmentation by business is regarded as being the predominant source and nature of the risks and returns facing the Group and is thus the primary segment. Geographical segmentation is therefore the secondary segment.

Notes to the Financial Statements as at 31st December 2005

(H) Inventories

Inventories are stated at the lower of cost and net realisable value. In the case of raw materials, cost means purchase price including transport and handling costs, less trade discounts, calculated on a first in first out basis. For work in progress and finished goods, cost consists of direct materials, direct labour and attributable production overheads.

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

(I) Income Tax

Current tax:

Current tax for the current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount payable, the excess is recognised as an asset. The benefits relating to a tax loss that can be carried back to recover current tax of a previous period are held as an asset.

Deferred tax:

Deferred income taxes are calculated using the liability method on temporary differences.

In accordance with IAS 12 no deferred taxes are recognised in conjunction with goodwill. This applies also to temporary differences associated with shares in subsidiaries if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full. Deferred tax assets are recognised to the extent that it is probable that they will be able to be offset against future taxable income. Deferred tax assets and liabilities are calculated, without discounting, at the tax rates that are expected to apply to their respective periods of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Most changes in deferred tax assets and liabilities are recognised as a component of tax expense in the income statement. Only changes in deferred tax assets and liabilities that relate to a change in value of assets or liabilities that is charged directly to equity are charged or credited directly to equity.

(J) Grants

Capital grants received in respect of the purchase of tangible assets are treated as a reduction in the purchase price of the tangible asset.

(K) Property, Plant and Equipment

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

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. The recoverable amount of plant and equipment is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If any such indication of impairment exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. Impairment losses are recognised in the income statement as an exceptional item.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognised.

Notes to the Financial Statements as at 31st December 2005

Tangible fixed assets, excluding freehold land, are depreciated at appropriate rates in order to write them off over their expected useful life. The depreciation rates generally applied are:

Freehold buildings	2% on cost
Plant and machinery	10% to 20% on cost
Fixtures and fittings	10% to 20% on cost
Computer hardware and software	25% to 33% on cost
Motor vehicles	20% to 25% on cost
Leased assets	10% to 25% on cost
Leasehold property improvements	Over the period of the lease

(L) Amortisation of patents

Purchased patents are amortised on a straight line basis over 12½ years.

(M) Leasing

Assets held under leasing arrangements, that transfer substantially all the risks and rewards of ownership to the Group, are capitalised. The capital element of the related rental obligation is shown on the Balance Sheet. The interest element of the rental obligation is charged to the Income Statement so as to produce a constant periodic rate of charge. Any liability associated with onerous leasing agreements is recognised immediately.

Rentals in respect of operating leases are charged to the Income Statement as incurred.

(N) Investments

Investments are initially recognised at cost being the fair valuation of the consideration given. The carrying value of investments is at the lower of cost or net realisable value.

(O) Pension costs

The Group operates a number of defined benefit pension schemes which are closed to new members and a number of defined contribution pension schemes.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into an independent entity. The Group has no legal or constructive obligations to pay further contributions after payment of fixed contributions.

The liability recognised in the balance sheet for defined benefit pension plans is the present value of the defined benefit obligation (DBO) at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The DBO is calculated annually by independent actuaries using the projected unit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

In accordance with IFRS actuarial gains and losses are not recognised as an expense and are posted to reserves.

The contributions recognised in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short term nature.

Interest expenses related to pension obligations are included in “finance costs” in the income statement. All other pension related benefit expenses are included in “Employee compensation and benefit expense”.

(P) Research and Development

Expenditure on research and development is charged to the Income Statement in the year in which it is incurred.

Notes to the Financial Statements as at 31st December 2005

(Q) Foreign currencies

The Financial Statements are expressed in Euro. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the balance sheet date (or, where relevant, at a forward exchange rate) and revenues, costs and non-monetary assets, at the exchange rates ruling at the dates of the transactions. Profits and losses arising from foreign currency are dealt with through the Income Statement. Monetary assets are amounts held or receivable in money; all other assets are non-monetary assets.

On consolidation, the assets and liabilities of overseas subsidiary companies are translated into Euro at the rates of exchange ruling at the balance sheet date. Exchange differences arising from the restatement of the opening balance sheets of these subsidiary companies are dealt with through reserves. The operating results of overseas subsidiary companies are translated into Euro at the average rates applicable during the year.

(R) Share-Based Payment Transactions

Employees (including 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 financial instruments (i.e. the trinomial model).

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. 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.

(S) Dividends

Final Dividend on Ordinary Shares is recognised as a liability in the Group’s Financial Statements when the shareholders’ right to receive the payment is established by approval at the Annual General Meeting.

Interim Dividend on Ordinary Shares is recognised as a liability in the Group’s Financial Statements on a cash paid basis.

(T) Hedging

The Group uses fair value hedges and cash flow hedges in its treasury activities. For the purposes of hedge accounting, hedges are classified either as fair value hedges (which entail hedging the exposure to movements in the fair value of a recognised asset or liability) or cash flow hedges (which 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).

In the case of fair value hedges any gain or loss stemming from the re-measurement of the hedging instrument to fair value is reported in the income statement.

In the case of cash flow hedges the effective part of any gain or loss on the derivative financial instrument is recognised as a separate component of equity. Any ineffective or over effective portion of a cash flow hedge is reported in the income statement.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or liability, the associated gains or losses that were recognised directly to equity shall be reclassified to the the income statement in the same period or periods during which the asset acquired or liability assumed affects profit or loss. To the extent it is expected that all or a portion of a loss recognised directly in equity will not be recovered in one or more future periods, the loss is reclassified into the income statement.

(U) Borrowing costs

The Group capitalises legal fees, arrangement fees and other issuance costs relating to the drawdown of new bank facilities. The capitalised borrowing costs are amortised over an appropriate period to reflect the life of the facility.

Notes to the Financial Statements as at 31st December 2005

2. REPORTING CURRENCY

The currency used in this Annual Report is Euro. Results and cash flows of foreign subsidiary undertakings have been translated into Euro at the average exchange rates, and the related balance sheets have been translated at the rates of exchange ruling at the balance sheet date.

Exchange rates used were as follows:

	Average rate		Closing rate	
Euro =	**2005**	2004	**2005**	2004
Pound Sterling	**0.684**	0.679	**0.678**	0.693
US Dollar	**1.245**	1.244	**1.185**	1.335
Czech Koruna	**29.836**	31.953	**28.920**	30.600
Polish Zloty	**4.029**	4.534	**3.830**	4.100

3. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and liabilities.

Business segments
The Group operates in the following four business segments:

Insulated Panels & Boards	Manufacture of insulated panels and rigid insulation products.
Off-Site & Structural	Manufacture of Off-Site solutions, timber frame buildings and structural products.
Environmental Containers (EC)	Manufacture of environmental and pollution control products.
Access Floors	Manufacture of access floors.

Geographical segments
In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

Analysis by class of business

Segment Revenue	**Insulated Panels & Boards €m**	**Off-Site & Structural €m**	**EC €m**	**Access Floors €m**	**TOTAL €m**
Revenue - 2005	689.4	203.9	220.1	130.0	**1,243.4**
Revenue - 2004	579.6	116.8	142.5	119.2	958.1

Intersegment revenue is not material and is thus not subject to separate disclosure in the above analysis.

Segment Result (profit before finance costs)

	Insulated Panels & Boards €m	**Off-Site & Structural €m**	**EC €m**	**Access Floors €m**	**TOTAL 2005 €m**	TOTAL 2004 €m
Operating result - 2005	94.2	22.7	18.4	9.8	**145.1**	-
Operating result - 2004	72.2	13.9	14.2	3.0	**-**	103.3
Finance costs (net)					**(10.1)**	(6.9)
Result for the year before tax					**135.0**	96.4
Income tax expense					**(23.6)**	(18.3)
Net result for the year					**111.4**	78.1

Notes to the Financial Statements as at 31st December 2005

Segment Result (profit before finance costs)

	Insulated Panels & Boards €m	Off-Site & Structural €m	EC €m	Access Floors €m	TOTAL 2005 €m	TOTAL 2004 €m
Assets - 2005	413.3	134.6	161.2	137.9	**847.0**	-
Assets - 2004	323.9	93.2	96.2	119.8	-	633.1
Liabilities - 2005	(131.2)	(50.2)	(40.2)	(26.1)	**(247.7)**	-
Liabilities - 2004	(119.2)	(34.8)	(24.4)	(19.9)	**-**	(198.3)
Total assets less total liabilities					**599.3**	434.8
Cash and cash equivalents					**120.2**	87.8
Deferred tax asset					**2.3**	1.6
Financial liabilities (current and non-current)					**(265.7)**	(188.1)
Deferred consideration (current and non-current)					**(18.0)**	(7.7)
Income tax liabilities (current and deferred)					**(21.5)**	(23.3)
Total Equity as reported in Group Balance Sheet					**416.6**	305.1

Other Segment Information

	Insulated Panels & Boards €m	Off-Site & Structural €m	EC €m	Access Floors €m	TOTAL €m
Capital Investment - 2005	67.3	66.7	45.4	7.2	**186.6**
Capital Investment - 2004	50.0	8.2	12.8	(21.1)	49.9
Depreciation included in segment result - 2005	(14.8)	(5.0)	(6.3)	(4.5)	**(30.6)**
Depreciation included in segment result - 2004	(13.2)	(3.1)	(4.2)	(3.9)	(24.4)
Amortisation included in segment result - 2005	(0.8)	(0.8)	(0.3)	-	**(1.9)**
Amortisation included in segment result - 2004	(0.7)	-	-	-	(0.7)
Non cash items included in segment result - 2005	(1.9)	(0.1)	0.2	-	**(1.8)**
Non cash items included in segment result - 2004	(1.2)	-	-	-	(1.2)

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 - 2005	215.3	753.3	196.4	63.7	14.7	**1,243.4**
Revenue - 2004	136.8	592.4	163.2	53.6	12.1	958.1
Balance Sheet Items						
Assets - 2005	119.2	532.8	127.6	66.1	1.3	**847.0**
Assets - 2004	105.4	367.2	106.6	53.3	0.6	633.1
Other segmental information						
Capital Investment - 2005	22.8	36.1	124.2	0.8	2.7	**186.6**
Capital Investment - 2004	5.9	10.5	17.0	0.0	16.5	49.9

Notes to the Financial Statements as at 31st December 2005

4. EMPLOYEE COMPENSATION

a) Employee Numbers

The average number of persons employed by the Group in the financial year was:

	2005	2004
Production	**2,847**	2,148
Sales and distribution	**923**	702
Management and administration	**666**	501
	4,436	3,351

b) Employee Costs

The staff costs were:

	2005 €'000	2004 €'000
Wages and salaries	**158,859**	121,651
Social welfare costs	**14,797**	12,452
Pension contributions	**8,397**	7,454
Employee share based compensation	**2,256**	1,764
	184,309	143,321

c) Employee Share Based Compensation

As at 31st December 2005 the Group maintained two share-based payment schemes for employee compensation. The first arrangement, the Long-Term Incentive Plan, is part of the remuneration package of Kingspan's Executive Directors and Senior Executives. The second arrangement, the Standard Share Option Scheme, is part of the remuneration package of Kingspan's key personnel. The details of both schemes are outlined on page 31 in the directors report. All share based employee compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options.

Share options and weighted average exercise price are as follows for the reporting periods presented:

	2005 Number of options	2005 Weighted average exercise price €	2004 Number of options	2004 Weighted average exercise price €
Outstanding at 1st January	**7,830,421**	**3.04**	6,434,355	2.27
Granted	**1,277,505**	**9.80**	2,110,000	5.18
Cancelled	**(467,000)**	**0.59**	(50,101)	2.13
Exercised	**(1,574,101)**	**1.75**	(663,833)	2.53
Outstanding at 31st December	**7,066,825**	**4.66**	7,830,421	3.04

Notes to the Financial Statements as at 31st December 2005

The range of exercise prices of the outstanding options is between €0.13 and €10.90 while the weighted average remaining contractual life is 7.5 years.

The weighted average share price during the year was €9.63 (2004 €5.14). All remaining share options as at 31st December 2005 have been accounted for under IFRS 2 Share Based Payment. Kingspan has granted the following outstanding share options and exercise prices:

Earliest exercise date	**2005 Number of options**	**2005 Weighted average exercise price €**	2004 Number of options	2004 Weighted average exercise price €
2006	**3,679,320**	**2.66**	5,720,421	2.24
2007	**2,110,000**	**5.18**	2,110,000	5.18
2008	**1,277,505**	**9.80**	n/a	n/a
	7,066,825	**4.66**	7,830,421	3.04

The fair values of options granted during year were determined using the Trinomial valuation model. Significant inputs into the calculation include:

- The exercise price; the market price of Kingspan's shares as at the grant date.
- Time to maturity: the expected life of the option.
- Expected volatility; future volatility was determined by analysing historic volatility of quoted companies on the Irish and other Stock Exchanges, including analysis of the volatility of Kingspan's shares, and disclosures regarding volatility by US-based companies made as part of filings with the US Securities and Exchange Commission.
- The expected dividend yield on Kingspan's Ordinary Shares.
- The first exercise date; Options granted under the Long-Term Incentive Plan will not be capable of exercise less than three years from the date of grant and more than seven years after the date of grant. Options granted under the Standard Share Option Scheme will not be capable of exercise less than three years from the date of grant and more than ten years after the date of grant.
- The risk free interest rate; this rate is based on the yield to maturity of an Irish Government Bond with a life similar to that of the option.
- Expected dividend payments.
- The weighted average share price of Kingspan's Ordinary Shares.

Notes to the Financial Statements as at 31st December 2005

5. FINANCE COSTS

	2005 €'000	2004 €'000
Bank loans	**10,880**	7,124
Hire purchase and finance leases	**23**	20
Net defined benefit pension scheme	**704**	617
	11,607	7,761

Borrowing costs capitalised during the year amounted to €618,000 (2004: €532,000).

6. FINANCE INCOME

	2005 €'000	2004 €'000
Interest income	**1,535**	873

7. RESULT FOR THE YEAR BEFORE TAX

	2005 €'000	2004 €'000
The result for the year is stated after charging:		
Operating lease payments	**2,163**	1,752
Non payroll product development costs	**6,398**	4,973
Depreciation	**30,579**	24,498
Amortisation of intangible assets	**1,936**	669
Loss on sale of tangible assets	**1,782**	1,161
Auditors' Remuneration		
Audit services:		
Statutory Audit	**900**	741
Audit related regulatory reporting	**197**	166
Tax services:		
Compliance services	**94**	86
Advisory services	**89**	31
Other	**365**	205

8. DIRECTORS' REMUNERATION

Executive Directors	Basic Salary €'000	Benefit in kind €'000	Performance related bonus €'000	Pension contributions €'000	2005 Total €'000	2004 Total €'000
Eugene Murtagh[1]	-	-	-	-	-	980
Gene M. Murtagh	430	10	215	64	**719**	601
Brendan Murtagh	400	33	200	388	**1,021**	972
Dermot Mulvihill	300	24	75	366	**765**	702
Jim Paul[2]	256	29	128	51	**464**	462
Russell Shiels	266	21	133	55	**475**	456
Peter Wilson	241	20	121	48	**430**	381
Noel Crowe	206	12	103	31	**352**	316
	2,099	149	975	1,003	**4,226**	4,870

Notes to the Financial Statements as at 31st December 2005

Non-executive Directors

	2005 Non-executive fees €'000	2004 Non-executive fees €'000
Eugene Murtagh (Chairman) [3]	150	-
Eoin McCarthy [4]	55	45
Tony McArdle	55	45
Kevin O'Connell	55	48
Brian Joyce	55	45
David Byrne [5]	55	-
Brian Hill [6]	32	-
Tom Mulcahy [7]	-	19
	457	202

1 Mr Eugene Murtagh resigned as Executive Director on 1st January 2005.
2 Mr Jim Paul retired as Executive Director on 31st December 2005.
3 Mr Eugene Murtagh was appointed as a Non-executive Director on 1st January 2005. The Company also paid a contribution to his personal pension scheme of €112,500.
4 Mr Eoin McCarthy was also paid €63,407 (2004: €63,488) in respect of other services provided to the Group.
5 Mr David Byrne was appointed as a Non-executive Director on 1st January 2005.
6 Mr Brian Hill was appointed as a Non-executive Director on 1st June 2005.
7 Mr Tom Mulcahy retired as a Non-executive Director on 31st May 2004.

Number of Directors at year-end

	2005	2004
Executive Directors	6	8
Non-executive Directors	7	4
Total	13	12

Average number of Directors during the year

	2005	2004
Executive Directors	7	8
Non-executive Directors	7	4
Total	14	12

- Benefits relate to health insurance premiums and to the use by Directors of company cars
- Pension contributions represent payments made under defined contribution pension schemes operated by the Group

Notes to the Financial Statements as at 31st December 2005

9. INCOME TAX EXPENSE

The charge for taxation, based on profits for the year, comprises:	2005 €'000	2004 €'000
Current tax expense		
- Irish	**5,666**	4,209
- Overseas	**18,795**	15,336
Adjustment to charge in respect of prior years	**(1,538)**	(1,457)
	22,923	18,088
Deferred taxation	**705**	242
	23,628	18,330

	2005 €'000	2004 €'000
Result on ordinary activities before tax	**134,997**	96,411
Tax at the domestic rates applicable to profits in the countries concerned	**27,074**	19,100
Expenses not deductible for tax purposes	**1,232**	3,039
Capital allowances in excess of depreciation	**(271)**	(1,192)
Trade losses utilised	**(187)**	(572)
Adjustment to charge in respect of prior years	**(1,538)**	(1,457)
Net effect of differing tax rates	**(854)**	(891)
Other timing differences	**(2,533)**	61
Corporation tax charge	**22,923**	18,088

10. DIVIDENDS

Dividends on Ordinary Shares are recognised in the Group's financial statements on a cash paid basis under IFRS rather than on an accruals basis which was the accounting treatment previously adopted under Irish GAAP.

The Final Dividend on Ordinary Shares for 2004 of 6.20 cent per share (€10.3 million), was approved by shareholders in May 2005 and, in accordance with IFRS, was recognised as a charge to Reserves in the year ended 31st December 2005. The Interim Dividend on Ordinary Shares for 2005 of 4.45 cent per share (€7.4 million), was recognised as a charge to Reserves in the year ended 31st December 2005.

The Final Dividend on Ordinary Shares for 2005 of 8.95 cent per share (€15.0 million) is being proposed at the Group's AGM and, in accordance with IFRS, will be recognised as a charge to Reserves in the year ended 31st December 2006.

		2005 €'000	2004 €'000
Ordinary dividends			
Paid:	2004 Final dividend 6.20c per share (2003: 4.60c per share) on 166,121,748 shares	**10,300**	7,608
	2005 Interim dividend 4.45c per share (2004: 3.40c per share) on 166,607,628 shares	**7,413**	5,630
		17,713	13,238

Notes to the Financial Statements as at 31st December 2005

11. EARNINGS PER SHARE

The calculations of earnings per share are based on the following:	**2005 €'000**	2004 €'000
Result attributable to ordinary shareholders	**111,378**	78,077

	Number of shares ('000) 2005	Number of shares ('000) 2004
Weighted average number of ordinary shares for the calculation of basic earnings per share	**167,625**	165,621
Dilutive effect of share options	**4,269**	3,025
Weighted average number of ordinary shares for the calculation of diluted earnings per share	**171,894**	168,646

	2005 €cent	2004 €cent
Basic earnings per share	**66.4**	47.1
Diluted earnings per share	**64.8**	46.3

12. GOODWILL

	2005 €'000
At 1st January 2005	**110,039**
Additions	**101,023**
Net exchange difference	**6,674**
At 31st December 2005	**217,736**

13. OTHER INTANGIBLE ASSETS

	Patents €'000	**Brands €'000**	**Technical Know-how €'000**	**Other Intangibles €'000**	**2005 Total €'000**
At 1st January 2005	2,180	-	-	-	**2,180**
Additions	89	10,637	1,188	519	**12,433**
Amortisation	(424)	(1,116)	(89)	(307)	**(1,936)**
Impairment loss recognised	(503)	-	-	-	**(503)**
Net exchange difference	5	78	-	8	**91**
At 31st December 2005	1,347	9,599	1,099	220	**12,265**

Notes to the Financial Statements as at 31st December 2005

14. JOINTLY CONTROLLED ENTITIES

The following are jointly controlled entities, in which the Group holds a 50% voting interest, which have been incorporated into the consolidated financial statements using the proportionate consolidation method:

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:

	2005 €'000	2004 €'000
Non-current assets	**2,947**	-
Current assets	**2,723**	-
	5,670	-
Non-current liabilities	**-**	-
Current liabilities	**(311)**	-
	(311)	-
Income	**-**	-
Expenses	**-**	-
	-	-

15. PROPERTY, PLANT AND EQUIPMENT

GROUP	**Land and buildings**	**Plant and Machinery**	**Motor vehicles**	**2005 Total**
Cost or valuation	**€'000**	**€'000**	**€'000**	**€'000**
At 1st January	108,824	260,846	6,350	**376,020**
Acquisitions	12,232	11,268	1,452	**24,952**
Additions	10,975	33,430	2,255	**46,660**
Disposals	(657)	(16,354)	(1,547)	**(18,558)**
Translation adjustment	2,837	9,727	144	**12,708**
At 31st December	134,211	298,917	8,654	**441,782**
Depreciation				
At 1st January	(18,995)	(143,212)	(2,915)	**(165,122)**
Provision for year	(3,235)	(25,583)	(1,761)	**(30,579)**
Provision on disposals	9	10,922	1,190	**12,121**
Translation adjustment	(785)	(6,593)	(67)	**(7,445)**
At 31st December	(23,006)	(164,466)	(3,553)	**(191,025)**
Net book value at 31st December 2005	111,205	134,451	5,101	**250,757**
Net book value at 31st December 2004	89,829	117,634	3,435	210,898

Included within the net book value is €397,354 (2004: €712,540) relating to assets held under finance lease agreements. The depreciation charged to the Financial Statements in the year in respect of such assets amounted to €338,819 (2004: €37,674).

Notes to the Financial Statements as at 31st December 2005

Certain land and buildings of the Group were revalued at 31st December 1980 on a depreciated replacement cost basis. Additions since that date have been included at cost. Land and buildings would have been stated as follows under the historical cost convention:

	2005 €'000	2004 €'000
Cost	**133,409**	108,022
Accumulated depreciation	**(21,429)**	(17,434)
Net book value	**111,980**	90,588

16. FINANCIAL ASSETS

GROUP	2005 €'000	2004 €'000
Listed on the London Stock Exchange (at cost)	**-**	13
Unlisted investments (at cost)	**755**	25
	755	38

The fair value of financial assets at 31st December 2005 was €755,000 (2004: €38,000).

COMPANY	2005 €'000	2004 €'000
Shares in subsidiaries at cost - unlisted	**11,960**	11,960

17. INVENTORIES

	2005 €'000	2004 €'000
Raw materials and consumables	**63,166**	62,945
Work in progress	**1,288**	2,527
Finished goods	**32,869**	23,753
	97,323	89,225

The replacement cost of stock is not considered to be materially different from the amounts shown above.

18. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2005 €'000	2004 €'000	2005 €'000	2004 €'000
Amounts falling due within one year:				
Trade receivables	**255,383**	204,998	**-**	-
Other receivables	**6,911**	8,994	**-**	-
Prepayments	**5,830**	6,382	**-**	-
Amounts due from subsidiaries	**-**	-	**99,160**	87,976
	268,124	220,374	**99,160**	87,976
Amounts falling due after more than one year:				
Other receivables	**-**	413	**-**	-
	268,124	220,787	**99,160**	87,976

Notes to the Financial Statements as at 31st December 2005

19. TRADE AND OTHER LIABILITIES

	GROUP		COMPANY	
	2005	2004	**2005**	2004
	€'000	€'000	**€'000**	€'000
Trade payables	**109,222**	88,970	**-**	-
Accruals and deferred income	**65,521**	48,805	**-**	-
Irish income tax & social welfare	**995**	47	**-**	-
Other income tax & social welfare	**5,991**	4,251	**-**	-
Value Added Tax	**11,639**	15,091	**-**	-
Amount due to subsidiaries	**-**	-	**40,480**	18,290
	193,368	157,164	**40,480**	18,290

20. FINANCIAL LIABILITIES

	GROUP		COMPANY	
	2005	2004	**2005**	2004
	€'000	€'000	**€'000**	€'000
Current financial liabilities				
Bank loans and overdrafts	**38,587**	108,177	**-**	-
Finance lease and hire purchase obligations	**277**	548	**-**	-
	38,864	108,725	**-**	-
Non-current financial liabilities				
Bank loans repayable:				
- between one and two years	**25,969**	28,302	**-**	-
- between two and three years	**25,026**	25,093	**-**	-
- between three and four years	**24,177**	25,093	**-**	-
- between four and five years	**25**	93	**-**	-
- after more than five years	**151,602**	854	**-**	-
	226,799	79,435	**-**	-

21. FINANCIAL INSTRUMENTS

Terms, Conditions and Risk Management Policies

Exposure to foreign currency, interest rate, and credit risk arises in the normal course of Kingspan's business. The company's focus is to understand these risks and to define strategies to manage the economic impact on the company's performance. Regular meetings are held to review the results of the risk assessment, approve recommended risk management strategies and monitor the financial risk management policies.

Some of the Group's risk management strategies include the use of derivatives, mainly forward exchange contracts, interest rate swaps, and cross currency interest rate swaps. Kingspan's policy prohibits the use of derivatives in the context of trading.

Foreign Exchange Risks

The Group is exposed to foreign currency risks on sales, purchases and borrowings that are denominated in a currency other than the euro. The currencies giving rise to this risk are primarily Pounds Sterling and US Dollars. The Group hedges an appropriate proportion of its estimated foreign currency exposure in respect of forecasted sales and purchases over the following rolling twelve months. The Group uses forward exchange contracts to hedge its foreign currency risk. The Group's forward exchange contracts are classified as cash flow hedges and are stated at fair value. The fair value of forward exchange contracts used as hedges of forecasted transactions at 31st December 2005 was €68,000.

Balance sheet exposure in relation to foreign currency is hedged as far as possible by borrowing in the same currency.

Notes to the Financial Statements as at 31st December 2005

The table below provides an indication of the company's net foreign currency positions as regards firm commitments and forecasted transactions as at 31st December 2005 for the most important currency pairs. The negative amounts indicate that the company is short (net future cash outflows) in the first currency of the currency pair.

	(EUR)/GBP in €m	(USD)/GBP in US$m
Net internal exposure	(48)	(17)
External hedges	30	13
Residual exposure	(18)	(4)

Cash Flow Hedge Accounting
In conformity with the IAS 39 hedge accounting rules, hedges of firm commitments and highly probable forecasted transactions are designated as cash flow hedges. Consequently, the portion of the gain or loss on the hedging instrument that qualifies as an effective hedge is recognised directly in equity. On these cash flow hedges a net gain before tax of €18,000 has been recognised directly in equity during 2005 (2004: Gain €102,000).

Interest Rate Risk
The Group adopts a policy of ensuring that an appropriate proportion of its exposure to changes in interest rates on borrowings is on a fixed rate basis. Interest rate swaps are entered into to achieve an appropriate mix of fixed and floating rate exposure within the Group's policy.

Floating Interest Rate Risk on Borrowings
The company entered into several interest rate swaps, which at 31st December 2005 had a nominal value of €17.4 million (2004: €54.4 million), to hedge the floating interest rate risk on €100.0 million (2004: €157.4 million) of drawn down funding under a syndicated credit facility agreement. All of these interest rate swaps mature on 31st December 2006.

In conformity with the IAS 39 hedge accounting rules, all hedges were designated as cash flow hedges. Consequently, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity.

US Dollar Loan Notes
During 2005 the Group had a private placement of US$158 million fixed interest 10 year bulletin repayment loan notes maturing on 29th March 2015, and US$42 million fixed interest 12 year bulletin repayment loan notes maturing on 29th March 2017.

To hedge the risk the company entered into US dollar fixed / EUR fixed cross currency interest rate swaps for the full amount of the private placement. The maturity date of these cross currency interest rate swaps is identical to the maturity date of the private placement. In conformity with the IAS 39 hedge accounting rules these hedges were designated as fair value hedges. Consequently, the changes in fair value of the cross currency interest rate swaps as well as the change in fair value of the loan notes are recognised in the income statement.

Analysis of Interest Rate Exposure

	Floating rate €'000	Fixed rate €'000	Total €'000	Fixed debt
Sterling	50,805	7,375	58,180	4.97%
Euro	35,814	161,458	197,272	3.89%
	86,619	168,833	255,452	

Credit Risk
Credit risk encompasses all forms of counterparty exposure relating to potential counterparty default on their obligations to Kingspan in relation to lending, hedging, settlement and other financial activities.

Kingspan mitigates its exposure to counterparty credit risk through minimum counterparty credit guidelines, diversification of counterparties, and working within agreed counterparty limits. Based on these factors, Kingspan considers the risk of counterparty default at 31st December 2005 to be minimal.

Kingspan has established minimum counterparty credit ratings and enters into transactions only with financial institutions with these established ratings, or better. To minimise the concentration of counterparty credit risk, the company enters into derivative transactions with a portfolio of financial institutions. There was no significant concentration of credit risks with any single counterparty at 31st December 2005.

Notes to the Financial Statements as at 31st December 2005

Fair Value

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. In conformity with IAS 39 all derivatives are recognised at fair value in the balance sheet. The fair value of derivative financial instruments is either the quoted market price or is calculated using pricing models taking into account current market rates. These pricing models also take into account the current creditworthiness of the counterparties.

The fair value of these instruments generally reflects the estimated amount that Kingspan would receive on the settlement of favorable contracts or be required to pay to terminate unfavorable contracts at the balance sheet date, and thereby takes into account any unrealised gains or losses on open contracts.

Trade Receivables

Trade receivables do not bear any effective interest rate. All trade receivables are subject to credit risk exposure, which where appropriate is managed by having credit insurance policies. However, Kingspan does not identify specific concentrations of credit risk with regards to trade and other receivables, as the amounts recognised resemble a large number of receivables from various customers.

Cash and Cash Equivalents

Cash and cash equivalents have a maturity range from daily deposits to three months and are eligible for immediate cancellation without receiving any interest for the last deposit period.

22. PROVISIONS FOR LIABILITIES AND CHARGES

	At 01.01.05 €'000	Acquisitions €'000	Provided during year €'000	Claims paid €'000	Provisions Released €'000	Translation adjustment €'000	At 31.12.05 €'000
Guarantees and warranties	18,483	3,451	30,056	(13,919)	(8,639)	820	30,252

Guarantees and Warranties

Some products carry formal guarantees of satisfactory performance of varying periods following their purchase by customers. Provision is made for the estimated cost of honouring unexpired warranties.

23. DEFERRED TAX ASSETS AND LIABILITIES

Recognised 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	
	2005 €'000	2004 €'000	**2005 €'000**	2004 €'000	**2005 €'000**	2004 €'000
Property, plant and equipment	**(1,256)**	(1,503)	**(12,112)**	(12,256)	**(13,368)**	(13,759)
Other timing differences	**3,622**	3,142	**(192)**	1,510	**3,430**	4,652
Pension obligations	**-**	-	**7,202**	6,799	**7,202**	6,799
Unused tax losses	**-**	-	**(71)**	-	**(71)**	-
	2,366	1,639	**(5,173)**	(3,947)	**(2,807)**	(2,308)

Deferred tax arises from differences in the timing of the recognition of items, principally depreciation and capital allowances, in the Financial Statements and by the tax authorities. There was an unrecognised deferred tax asset of €3.6 million (2004: €4.5 million). The asset will be recognised when it has been determined that it is more likely than not that the benefit will be realised through future taxable income.

Deferred tax credited to equity during 2005 was €891,000 representing the tax effect of the movement in the defined benefit pension liability. €705,000 was charged to the income statement with the remaining movement of €685,000 representing the effect of acquisitions and foreign exchange movements.

Notes to the Financial Statements as at 31st December 2005

24. CALLED-UP SHARE CAPITAL

	2005 €'000	2004 €'000
Authorised		
220,000,000 Ordinary shares of €0.13 each (2004: 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 - 167,671,328 shares	**21,797**	21,711
Share options exercised - shares	**206**	86
Closing balance - 169,245,429 shares	**22,003**	21,797

At 31st December 2005, the Group held 1,620,000 (2004:1,620,000) of the Company's shares.

25. ADDITIONAL PAID-IN SHARE CAPITAL

	2005 €'000	2004 €'000
At 1st January	**20,260**	18,761
Premium on shares issued	**2,543**	1,526
Expenses paid in respect of share issues	-	(27)
At 31st December	**22,803**	20,260

26. OTHER RESERVES

	GROUP		COMPANY	
	2005 €'000	2004 €'000	2005 €'000	2004 €'000
At 1st January	**38,868**	33,419	**-**	-
Currency translation	**(15,032)**	2,221	**-**	-
Cash flow hedging in equity	**(18)**	(102)	**-**	-
Actuarial losses on defined benefit pension scheme	**2,979**	7,408	**-**	-
Income taxes relating to items charged or credited to equity	**(891)**	(2,314)	**-**	-
Employee share based compensation	**(2,256)**	(1,764)	**-**	-
At 31st December	**23,650**	38,868	**-**	-

27. REVALUATION RESERVE

	2005 €'000	2004 €'000
At beginning and end of year	**713**	713

28. CAPITAL REDEMPTION RESERVE

	2005 €'000	2004 €'000
At beginning and end of year	**513**	513

Notes to the Financial Statements as at 31st December 2005

29. RETAINED EARNINGS

	GROUP		COMPANY	
	2005	2004	**2005**	2004
	€'000	€'000	**€'000**	€'000
At 1st January	**300,233**	235,394	**40,452**	53,040
Net result attributable to shareholders	**111,378**	78,077	**4,022**	650
Dividends	**(17,713)**	(13,238)	**(17,713)**	(13,238)
At 31st December	**393,898**	300,233	**26,761**	40,452

The Income Statement of the Company is not presented separately in the Financial Statements as the conditions laid down in Section 3(2) of the Companies (Amendment) Act, 1986 have been complied with.

30. MINORITY INTEREST

	2005	2004
	€'000	€'000
At 1st January	**415**	498
Translation adjustment	**-**	4
Dividends paid to minorities	**(44)**	(91)
Profit and loss account	**(9)**	4
At 31st December	**362**	415

31. CASH FLOW STATEMENT

The following adjustments have been made to the pre-tax result for the year to arrive at operating cash flow:

	2005	2004
	€'000	€'000
Depreciation, amortisation and impairment charges of fixed and intangible assets	**32,515**	25,039
Employee equity-settled share options	**2,256**	1,764
Finance income	**(1,535)**	(873)
Finance cost	**11,607**	7,761
Loss on sale of tangible assets	**1,782**	1,161
Total	**46,625**	34,852

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

	2005	2004
	€'000	€'000
Increase in cash and bank overdrafts	**19,626**	31,749
(Increase) in debt, lease finance and deferred consideration	**(59,742)**	(8,362)
Change in net debt resulting from cash flows	**(40,116)**	23,387
Loans and lease finance acquired with subsidiaries	**(6,314)**	(2,054)
Deferred consideration arising on acquisitions in the period	**(11,383)**	(7,456)
New finance leases	**(45)**	(82)
Translation movement	**2,472**	(598)
Net movement	**(55,386)**	13,197
Net debt at start of the year	**(108,130)**	(121,327)
Net debt at end of the year	**(163,516)**	(108,130)

Notes to the Financial Statements as at 31st December 2005

33. ACQUISITIONS

The Group made the following acquisitions in the year by acquiring 100% of the voting rights of the subsidiaries acquired:

Name of company/business acquired	Fair value €'000	Consider-ation €'000	Goodwill €'000	Other intangible assets €'000
Kingspan Century (15th April 2005)	21,168	76,522	47,012	8,342
Kingspan Controlled Environments (6th May 2005)	10,775	37,179	25,278	1,126
Range (17th February 2005)	4,684	22,361	15,724	1,953
Albion (27th April 2005)	86	4,076	3,639	351
Others	4,633	11,448	6,154	661
Revision of fair values on prior year acquisitions	(449)	2,767	3,216	-
	40,897	154,353	101,023	12,433

A summary of the effect of acquisitions during the year is as follows:

	Book value at acquisition €'000	Fair value adjustments €'000	Fair value to the Group €'000
Tangible fixed assets	25,124	(172)	24,952
Financial assets	747	-	747
Stocks	14,149	(150)	13,999
Debtors	36,874	(140)	36,734
Cash at bank and in hand	18,910	-	18,910
Creditors	(43,791)	(3,891)	(47,682)
Finance leases	(85)	-	(85)
Bank loans	(6,229)	-	(6,229)
Total net assets acquired	45,699	(4,353)	41,346
Effects of revisions of fair values above			(449)
Goodwill			101,023
Other intangible assets			12,433
Consideration			154,353
Satisfied by:			
Cash			
- paid in current year			142,970
Deferred consideration			11,383
			154,353

If the acquisitions during 2005 had been acquired on 1st January 2005, revenue for the Group would have been €1,279 million. However due to lack of specific information, the proforma result of the combined entity for the complete 2005 period can not be determined reliably. In certain respects the fair values noted above are only provisional due to their nature.

Notes to the Financial Statements as at 31st December 2005

34. 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, grants may be repayable up to a maximum amount of €1,806,543 (2004: Nil).

(ii) Guarantees and contingencies
The bank borrowings are secured by cross guarantees by Kingspan Group plc and certain of its subsidiaries. Certain bank borrowings are subject to covenants.

Tate Access Floors Inc, self-insures certain risks as a shareholder in an insurance captive. Generally, the Company's exposure is limited to the Company's premium plus an additional assessment. Unused premiums are refundable back to the Company in the form of dividends. The Company has accrued its estimate of probable loss at 31st December 2005.

(iii) Leasing and hire purchase:

	2005 **€'000**	2004 €'000
Finance lease and hire purchase obligations net of interest are due as follows:		
- within one year	**277**	548
Operating lease obligations are due as follows:		
- within one year	**1,423**	1,569
- after more than one year	**2,405**	1,157
	3,828	2,726

Certain members of the Group leases a number of warehouses, factory facilities and other commercial buildings under operating leases. The leases typically run for an initial period of five to ten years, with an option to renew the lease after that date. Lease payments are increased at predetermined intervals to reflect market rentals. None of the leases include contigent rentals.

(iv) Future capital expenditure
Capital expenditure approved by the directors but not provided in the Financial Statements, none of which relates to the holding company, is as follows:

	2005 **€'000**	2004 €'000
Contracted for	**18,261**	9,343
Not contracted for	**13,721**	6,950
	31,982	16,293

Notes to the Financial Statements as at 31st December 2005

35. PENSIONS OBLIGATIONS

The group operates two defined benefit and a number of defined contributions schemes, the assets of which are administered by trustees in funds independent from those of the Group. Total pension contributions for the year amounted to €8,772,766 (2004: €7,454,293) of which €2,850,002 (2004: €2,884,560) related to defined benefit schemes. During the year €1,406,000 of benefits were paid to members of the defined benefit pension scheme The amount recognised in the Income Statement relating to the defined benefit schemes has been disclosed in Note 5. The expected contributions into the defined benefit pensions schemes during 2006 is €1,050,000.

The pension costs relating to the Group's defined benefit schemes are assessed in accordance with the advice of qualified actuaries using the attained age method. The most recent actuarial valuations were 31st March 2004 and 5th April 2004 and these have been updated to 31st December 2004 and 2005 to take account of the requirements of IAS 19.

At the year end €1,642,929 (2004: €800,829) was included in creditors in respect of pension liabilities and Nil (2004: Nil) included in debtors in respect of pension prepayments.

In general, actuarial valuations are not available for public inspection; however, the results of valuations are advised to members of the various schemes. The plan assets held for the defined benefit obligation do not include any of Kingspan Group plc own shares or any assets used by the Group.

The major assumptions used by the actuary at each year end were:

	2005	2004	2003	2002
Rate of increase in salaries	**0.00%**	0.00%	1.73%	2.68%
Rate of increase of pensions in payment	**2.81%**	2.77%	2.60%	2.28%
Discount rate	**4.75%**	5.26%	5.37%	5.50%
Inflation assumption	**2.81%**	2.77%	2.60%	2.28%

The expected rate of return for each year end was:

	2005 Expected rate of return	2004 Expected rate of return	2003 Expected rate of return	2002 Expected rate of return
Equities	**7.17%**	7.15%	7.35%	7.33%
Bonds	**5.00%**	5.00%	5.00%	5.00%
Cash	**4.75%**	4.00%	4.65%	5.00%
Other	**7.00%**	7.00%	7.00%	4.67%

The assets in the scheme for each year end were:

	2005 €'000	2004 €'000	2003 €'000	2002 €'000
Equities	**33,321**	26,473	23,063	24,363
Bonds	**18,554**	15,066	13,214	11,717
Cash	**462**	469	184	283
Other	**77**	61	47	85
Total market value of assets	**52,414**	42,069	36,508	36,448
Actuarial value of liability	**(76,423)**	(64,733)	(53,732)	(51,590)
Recoverable deficit in the scheme	**(24,009)**	(22,664)	(17,224)	(15,142)
Related deferred tax asset	**7,203**	6,799	5,167	4,543
Net pension liability	**(16,806)**	(15,865)	(12,057)	(10,599)

Notes to the Financial Statements as at 31st December 2005

The expected rate of return for each year end was:

	2005 €'000	2004 €'000	2003 €'000	2002 €'000
Movement in deficit during the year				
Deficit in fund at beginning of year	**(22,664)**	(17,224)	(15,141)	(4,920)
Movement during year:				
Current service cost	**(29)**	(27)	-	(910)
Contributions paid by the employer	**2,876**	2,885	170	272
Net return on assets/(interest cost)	**(711)**	(590)	(464)	320
Translation adjustment	**(502)**	(300)	1,173	317
Actuarial loss	**(2,979)**	(7,408)	(2,962)	(10,220)
Deficit in fund at end of year	**(24,009)**	(22,664)	(17,224)	(15,141)

	2005 €'000	2004 €'000	2003 €'000	2002 €'000
History of experience gains and losses				
Difference between expected and actual return on Fund assets:				
amount	**5,202**	1,323	2,747	(7,395)
percentage of Fund assets	**10%**	3%	8.0%	(20.0%)
Experience gains and losses on Fund liabilities:				
amount	**(6,853)**	(3,727)	(72)	(958)
percentage of Fund liabilities	**(9.0%)**	(6.0%)	(0.1%)	(2.0%)
Total amount recognised in statement of total recognised gains and losses:				
amount	**(2,978)**	(7,408)	(2,962)	(10,220)
percentage of Fund liabilities	**(4.0%)**	(11.0%)	(6.0%)	(20.0%)

36. RELATED PARTY TRANSACTIONS

The Group purchased services at arms length from companies controlled by Mr. Eugene Murtagh, other than those related to his role as Non-executive Chairman, to the value of €547,354 (2004: €301,600). There was no balance owed to or from any related party at 31st December 2005.

Notes to the Financial Statements as at 31st December 2005

37. GROUP COMPANIES

The principal subsidiary 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		
Envirocare Pollution Control Limited	100	Sales & Marketing
Titan Environmental Limited	100	Manufacturing
Kingspan Holdings (Irl) Limited	100	Administration
Kingspan Securities Limited	100	Finance Company
Kingspan Holdings (Overseas) Limited	100	Holding Company
Kingspan Insulation Limited	100	Manufacturing
Kingspan Limited	100	Manufacturing
Kingspan Research & Development Limited	100	Product Development
Thermal Product Developments Limited	100	Product Development
Kingspan Century Limited	100	Manufacturing
Superwarm Timber Frame Limited	100	Manufacturing
Woodroe (Dungarvan) Limited	100	Manufacturing
Registered Office: Dublin Road, Kingscourt, Co. Cavan, Ireland.		
Kingspan Finance	100	Finance Company
Kingspan International Finance	100	Finance Company
Registered Office: AIB International Centre, IFSC, Dublin 1, Ireland		
United Kingdom		
Kingspan Environmental Containers Limited	100	Holding Company
Plastic Development Centre Limited	100	Product Development
Polmeric Mouldings Limited	100	Manufacturing
ROMaqua Limited	100	Sales & Marketing
Titan Environmental Limited	100	Manufacturing
Registered Office: Seapatrick, Banbridge, Co. Down, Northern Ireland		
Tyrrell Tanks Limited	100	Manufacturing
Registered Office: 37 Seagoe Industrial Estate, Portadown, Co. Armagh, Northern Ireland.		
Sensor Systems (Watchman) Limited	100	Manufacturing
Registered Office: 20-24 Mill Street, Gilford, Craigavon, Northern Ireland.		
Environmental Treatment Systems Limited	100	Manufacturing
Registered Office: College Road, Aston Clinton, Aylesbury, Buckinghamshire, UK.		

Notes to the Financial Statements as at 31st December 2005

	Shareholding %	Nature of Business
Interlink Fabrications Limited	100	Manufacturing
Kingspan Access Floors Limited	100	Manufacturing
Kingspan Group Limited	100	Holding Company
Kingspan Insulation Limited	100	Manufacturing
Kingspan Limited	100	Manufacturing
Kingspan Century Limited	100	Manufacturing
Century Homes Timber Frame Limited	100	Manufacturing
Ward Insulated Panels Limited	100	Sales & Marketing
Albion Water Heaters Limited	100	Manufacturing
Range Cylinders Limited	100	Manufacturing
RCM Stainless Limited	100	Manufacturing
Copperform Limited	100	Manufacturing
Stanley Cylinders Limited	100	Manufacturing
Yorkshire Cylinders Limited	100	Manufacturing
Kingspan Controlled Environments Limited	100	Manufacturing

Registered Office: Greenfield Business Park No. 2, Holywell, North Wales, UK

Kingspan Metl-Con Limited	100	Manufacturing

Registered Office: Sherburn, Malton, North Yorkshire, UK.

Australia

Kingspan Insulated Panels Pty	100	Sales & Marketing

Registered Office: Suite 304, 530 Little Collins Street, Melbourne 3000, Victoria Australia.

Austria

Kingspan GmbH	100	Sales & Marketing

Registered Office: Techgate Tower, Donau-City Straße 1, 1220 Vienna Austria

Belgium

Kingspan Door Components S.A.	100	Manufacturing

Registered Office: 1A Zone Industrielle de l'Europe 2, 7900 Leuze-en-Hainaut, Belgium

Kingspan Holdings Belgium N.V.	100	Holding Company
Kingspan N.V.	100	Sales & Marketing

Registered Office: Bouwelen 17, Industriepark Klein Gent, 2280 Grobbendonk, Belgium.

Czech Republic

Kingspan a.s.	100	Manufacturing

Registered Office: Vázní 465, 500 03 Hradec Králové, Czech Republic.

Notes to the Financial Statements as at 31st December 2005

	Shareholding %	Nature of Business
Denmark		
Kingspan Miljocontainere A/S	100	Sales & Marketing
Registered Office: Amerikaveg 1, 7000 Fredericia, Denmark.		
Germany		
Kingspan Tek GmbH	100	Manufacturing
Registered Office: Beusterstraße 1a, 16348 Klosterfelde, Germany		
Kingspan Holding GmbH	100	Holding Company
Kingspan GmbH	100	Sales & Marketing
Registered Office: Am Schornacker 2, 46485 Wesel, Germany		
Hong Kong		
Kingspan China Limited	80	Manufacturing
Registered Office: 26 Wong Chuk Hang Road, Aberdeen, China		
Hungary		
Kingspan Kereskedelmi Kft	100	Manufacturing
Registered Office: 2367 Ujhartyan, horka Dulo 1, Hungary		
Lithuania		
UAB Kingspan	100	Sales & Marketing
Registered Office: Draugystes g.19, Kaunas, Lithuania		
Luxembourg		
Kingspan Luxembourg Sarl	100	Finance Company
Registered Office: 498 Route d'Esch, L-1471, Luxembourg		
Netherlands		
Kingspan Holdings Netherlands B.V.	100	Holding & Finance Company
Kingspan B.V.	100	Sales & Marketing
Kingspan Insulation B.V.	100	Manufacturing
Registered Office: 6669 ZG Dodewaard, Netherlands		
Poland		
Kingspan Sp.z o.o.	100	Manufacturing
Registered Office: ul. Przemyslowa 20, ap 27-300 Lipsko, Poland		
Titan-Eko Sp.z o.o.	100	Manufacturing
Registered Office: ul. Dabrowskiego 75/75, 60-523 Poznan, Poland		

Notes to the Financial Statements as at 31st December 2005

	Shareholding %	Nature of Business
Romania		
Kingspan S.R.L.	100	Sales & Marketing

Registered Office: B-dul Iancu de Hunedoary nr. P, bl.11, sc. 2et., ap. 50, sector 1, Bucharest, Romania

Slovakia		
Kingspan s.r.o	100	Sales & Marketing

Registered Office: Ceska 3, 831 03 Bratislavia, Slovakia.

Spain		
Kingspan Holdings Spain	100	Holding Company

Registered Office: C/Alfonso XII. 22-20 DCHA, 28014 Madrid, Spain.

Kingspan Suelo Technicos	50	Sales & Marketing

Registered Office: C/Guindos, 2 San Sebastian Delosreyes, 28700 Madrid, Spain.

United States of America		
Kingspan Holdings US Inc.	100	Holding Company

Registered Office: c/o Entity Services Group LLC, 103 Foulk Road, Suite 202, Wilmington Delaware, 19803, USA.

Tate Global Corporation Inc.	100	Holding Company
Tate Access Floors, Inc.	100	Manufacturing

Registered Office: 7510 Montevideo Road, Jessup, Maryland, 20794, USA.

ASM Modular Systems Inc.

Registered Office: 9500 Industrial Center Drive, Ladson, South Carolina, 29456, USA.

38. APPROVAL OF FINANCIAL STATEMENTS

The Financial Statements were approved by the Directors on 6th March 2006.

Group Five Year Summary

RESULTS (Amounts in €millions)	IFRS 2005	IFRS 2004	IRISH GAAP 2003	IRISH GAAP 2002	IRISH GAAP 2001
Revenue	1,243.4	958.1	783.9	739.6	828.9
Operating income	145.1	103.3	71.5	73.1	88.6
Net result before tax	135.0	96.4	65.4	63.7	73.4
Operating cash flow	179.6	105.4	75.7	103.0	146.7

EQUITY (Amounts in €millions)	IFRS 2005	IFRS 2004	IRISH GAAP 2003	IRISH GAAP 2002	IRISH GAAP 2001
Gross assets	969.5	722.6	592.1	611.2	652.5
Working capital (stock / debtors / creditors)	172.1	152.9	113.5	102.7	104.7
Ordinary shareholders equity	416.3	304.6	248.4	235.9	231.0
Bank debt & lease obligations (net)	163.5	108.1	120.8	117.3	169.7

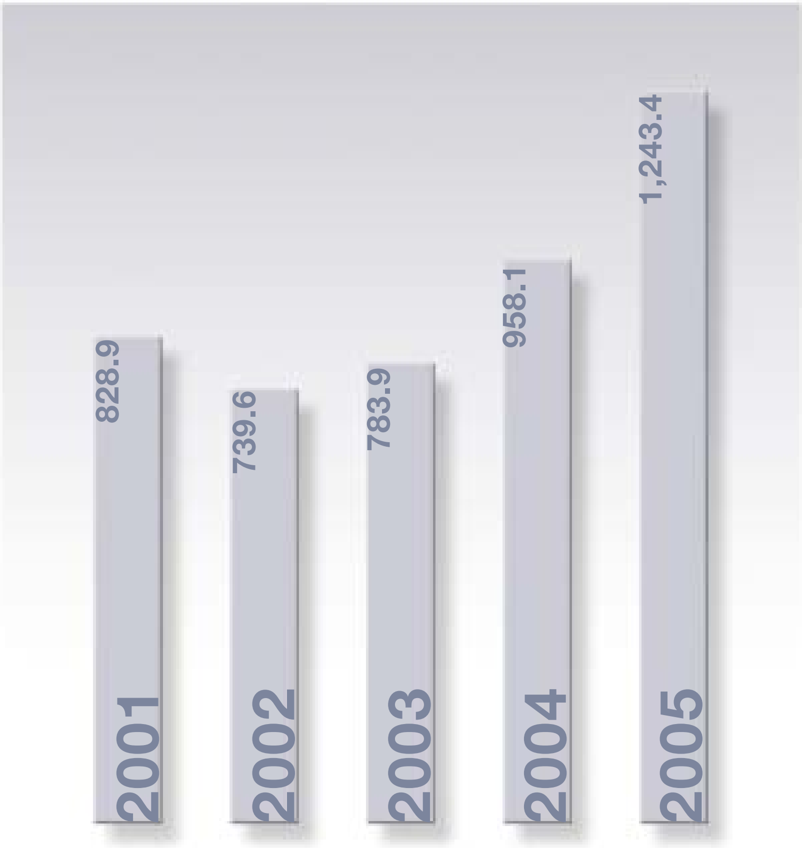
RATIOS	IFRS 2005	IFRS 2004	IRISH GAAP 2003	IRISH GAAP 2002	IRISH GAAP 2001
Net debt as % of shareholders' equity	39.2%	35.4%	48.6%	49.7%	73.5%
Current assets / current liabilities	1.64	1.31	1.52	1.55	1.80

PER ORDINARY SHARE (Amounts in €cent)	IFRS 2005	IFRS 2004	IRISH GAAP 2003	IRISH GAAP 2002	IRISH GAAP 2001
Earnings	66.4	47.1	31.2	30.2	32.9
Operating cash flows	107.2	63.6	45.9	61.6	87.0
Net assets	248.6	184.2	151.3	142.1	137.4
Ordinary dividends	13.4	9.60	7.20	5.90	4.70

AVERAGE NUMBER OF EMPLOYEES	4,436	3,351	3,180	3,102	3,326

Notes to the Financial Statements as at 31st December 2005

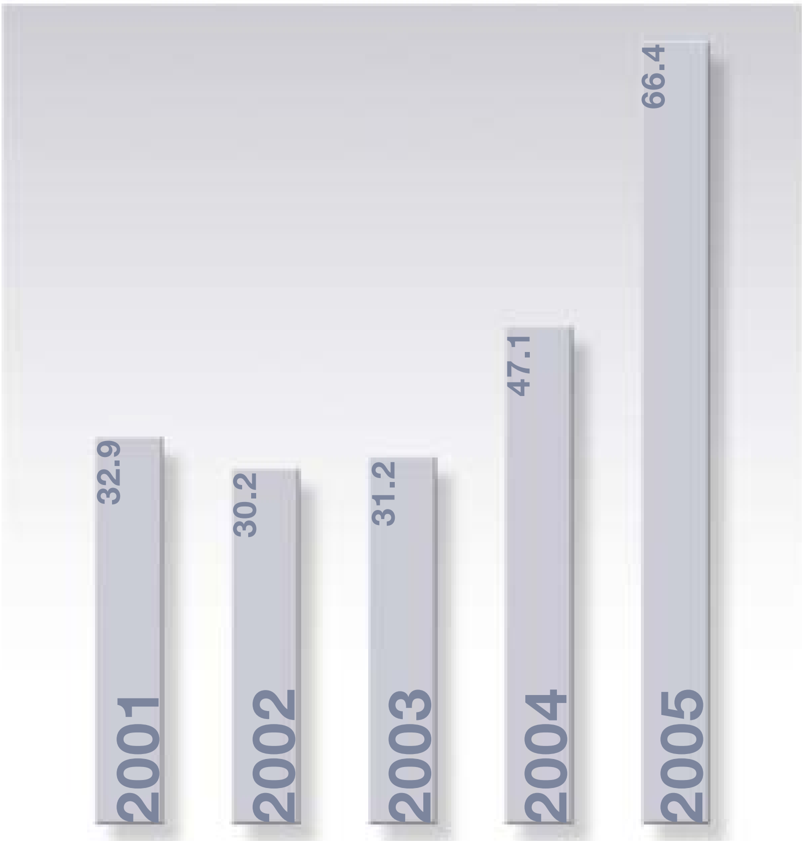
REVENUE
€million



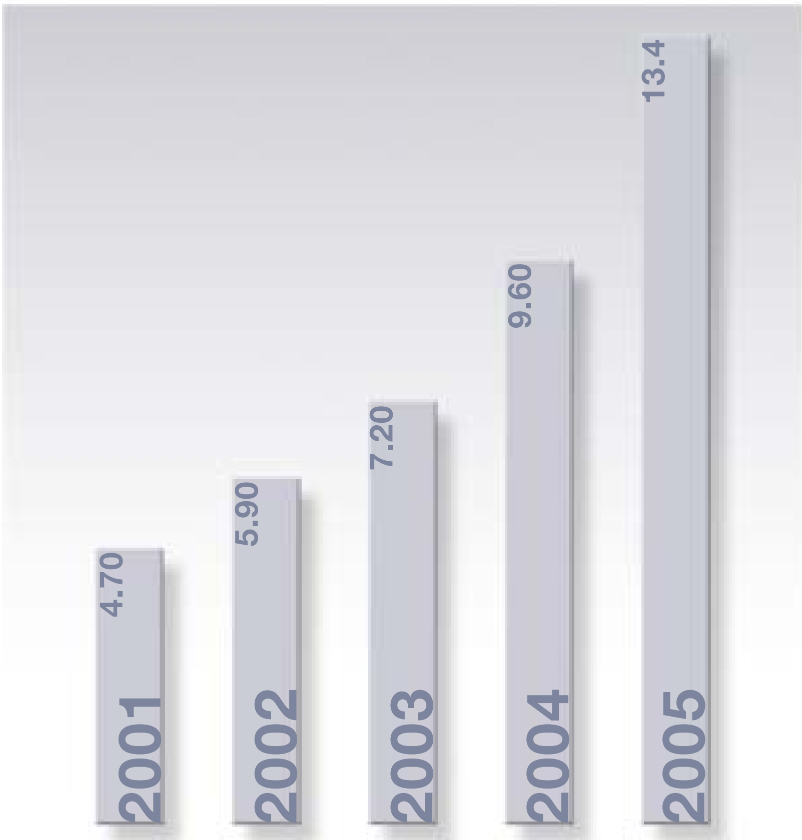
NET RESULT BEFORE TAX
€million

Revenue and results above for 2005 and 2004 are presented under IFRS with all other years presented under Irish GAAP.

EARNINGS PER SHARE
€Cent



DIVIDENDS PER SHARE
€Cent



Earnings per share above for 2005 and 2004 are presented under IFRS with all other years presented under Irish GAAP.

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