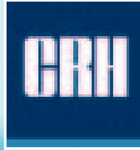


Annual Report 2005

PERFORMANCE AND GROWTH

"CRH continued to move forward on many fronts in 2005 once again producing new record sales and profits together with substantial development activity."

LIAM O'MAHONY

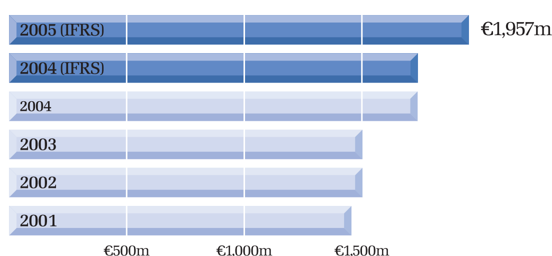
Highlights

	€ million	
Sales Revenue	14,449	+13%
EBITDA	1,957	+12%
Operating Profit	1,392	+14%
Profit Before Tax	1,279	+16%
Basic Earnings per Share	186.7c	+14%
Cash Earnings per Share	292.5c	+12%
Dividend per Share	39.0c	+18%
Dividend Cover (times)	4.8	
EBITDA Interest Cover (times)	12.7	
EBIT Interest Cover (times)	9.0	

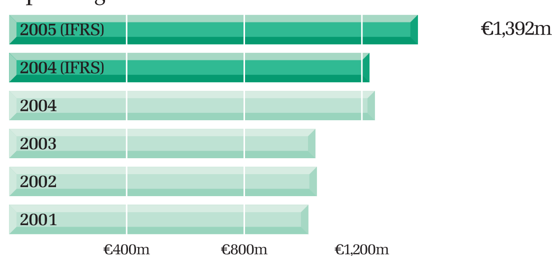
Note: 2005 results are reported under International Financial Reporting Standards (IFRS). Percentage changes are relative to 2004 results which have been restated on a similar basis.

Financial Trends 2001 - 2005

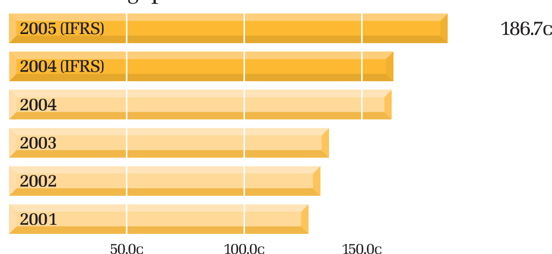
EBITDA*



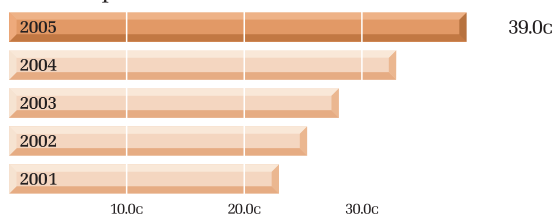
Operating Profit*



Basic Earnings per Share*



Dividend per Share



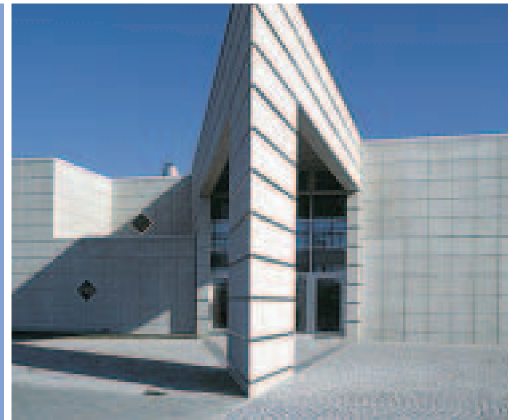
** 2004 and 2005 under IFRS*
2001 - 2004 under Irish GAAP with operating profit and earnings per share stated before goodwill amortisation

Product and Geographic Spread

Primary Materials

Annualised production volumes:

Cement	12.8m tonnes
Aggregates	223.2m tonnes
Asphalt & surfacing	41.6m tonnes
Readymixed concrete	18.8m cubic metres
Agricultural & chemical lime	1.3m tonnes



BRITISH COLUMBIA
ALBERTA
ONTARIO
QUÉBEC
MAINE
WASHINGTON
MONTANA
NORTH DAKOTA
MINNESOTA
VERMONT
NEW HAMPSHIRE
OREGON
IDAHO
WYOMING
SOUTH DAKOTA
WISCONSIN
MICHIGAN
NEW YORK
MA
CT
RI
NJ
PENNSYLVANIA
IOWA
NEBRASKA
NEVADA
UTAH
ILLINOIS
INDIANA
OHIO
MD
DE
WEST VIRGINIA
VIRGINIA
COLORADO
KANSAS
MISSOURI
KENTUCKY
CALIFORNIA
NORTH CAROLINA
TENNESSEE
OKLAHOMA
ARKANSAS
SOUTH CAROLINA
ARIZONA
NEW MEXICO
MISSISSIPPI
ALABAMA
GEORGIA
TEXAS
LOUISIANA
FLORIDA

Value-added Building Products

Annualised production volumes:

Precast concrete products	9.7m tonnes
Other concrete products*	31.6m tonnes
Clay bricks, pavers, tiles	4.6m tonnes
Insulation products	5.7m cubic metres
Security gates & fencing	2.2m lineal metres
Glass fabrication, rooflights	15.6m sq. metres

**includes block, masonry, patio products, pavers, prepackaged concrete mixes, rooftiles, and sand-lime elements and bricks*

Building Materials Distribution

DIY	200 stores
Builders merchants	484 stores

FINLAND
SWEDEN
RUSSIA
ESTONIA
LATVIA
DENMARK
IRELAND
UK
NETHERLANDS
POLAND
GERMANY
BELGIUM
UKRAINE
SLOVAKIA
FRANCE
AUSTRIA
SWITZERLAND
PORTUGAL
SPAIN
TUNISIA

CRH's strategic vision is clear and consistent –

be a responsible international leader in building materials delivering superior performance and growth

CRH plc, headquartered in Ireland, has operations in 25 countries employing approximately 66,500 people at over 2,600 locations. Our operations focus on three closely-related core businesses:

- Primary materials
- Value-added building products
- Building materials distribution

CRH is listed on the Irish and London Stock Exchanges and through its ADRs on NASDAQ; the Group is currently transferring its United States listing from NASDAQ to the New York Stock Exchange (NYSE).

The company has consistently delivered superior long-term growth in total shareholder return, averaging over 19.5% per annum since the Group was formed in 1970.

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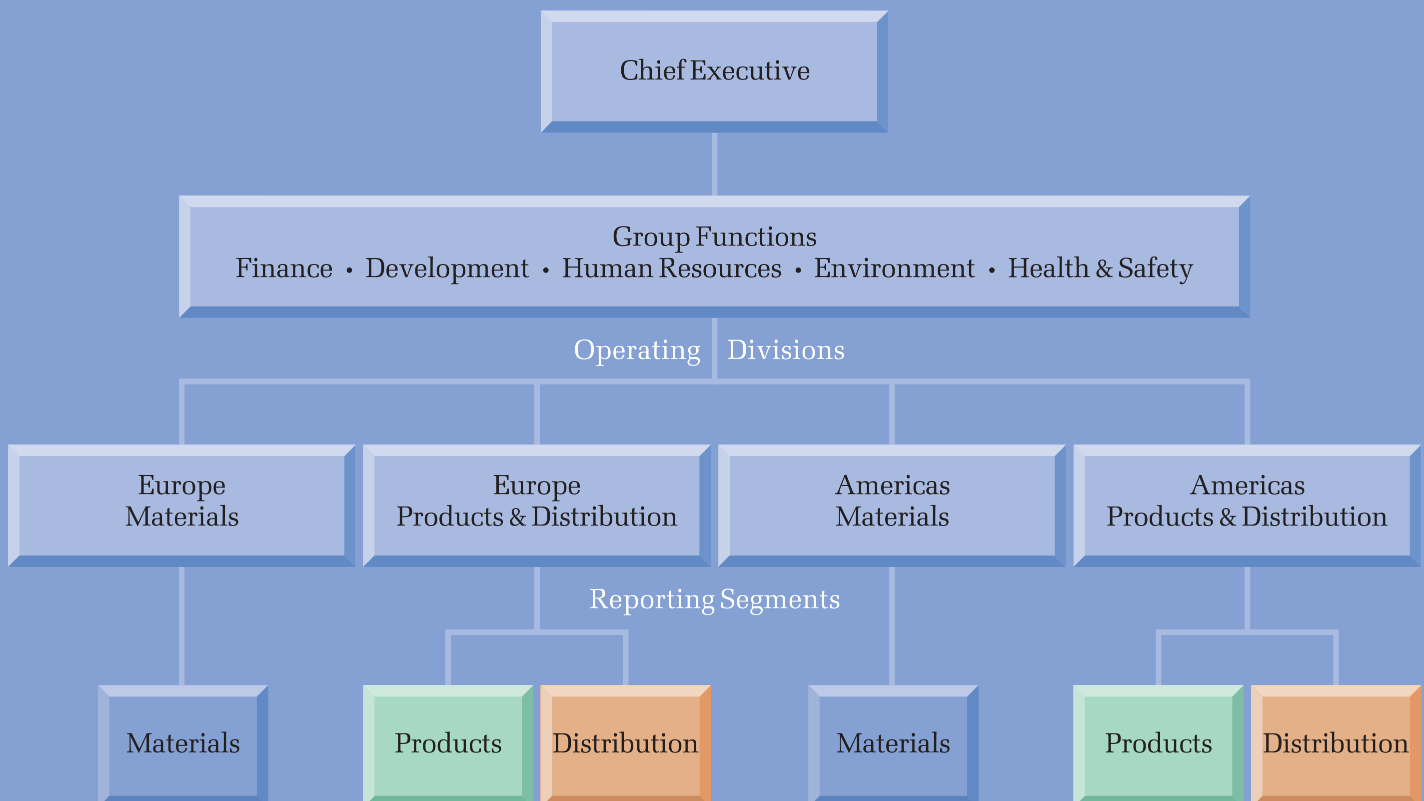
A Tried and Tested Strategy

CRH was founded in 1970 following the merger of two major Irish companies, Irish Cement and Roadstone. This newly-formed business, operating in a cyclical industry, was highly exposed to a single core business in a single economy.

Shortly thereafter, the Board set a clear strategy for the development of the Group: to seek new geographic platforms in its core businesses and to take advantage of complementary product opportunities in order to achieve strategic balance and to establish multiple platforms from which to deliver performance and growth.

While this strategy has evolved over the years, the broad thrust is still applicable today as the Group continues to expand from its current base in three core businesses across 25 countries.

A federal group organised for growth



In delivering this strategy, CRH sticks to core businesses in building materials; develops regional market leadership positions; reinvests in existing assets and people; acquires well-run, value-creating businesses and seeks exposure to new development opportunities all in order to maintain and develop a balanced portfolio, while creating horizons for future growth.

Strong corporate culture and identity...

Local autonomy

Experienced operational management are given a high degree of individual autonomy and responsibility to accommodate national and cultural needs and to leverage local market knowledge.

Dual citizenship

Strong management commitment to both the local company and to the CRH Group, supported by best practice teams that share experience and know-how across products and regions.

Mix of skills

CRH's market-driven approach attracts, retains and motivates exceptional management including internally developed operational managers, highly qualified business professionals and owner-entrepreneurs. This provides a healthy mix and depth of skills with many managers having managed through previous economic cycles. Our succession planning focuses on sharing this wealth of experience with the next generation of CRH management.

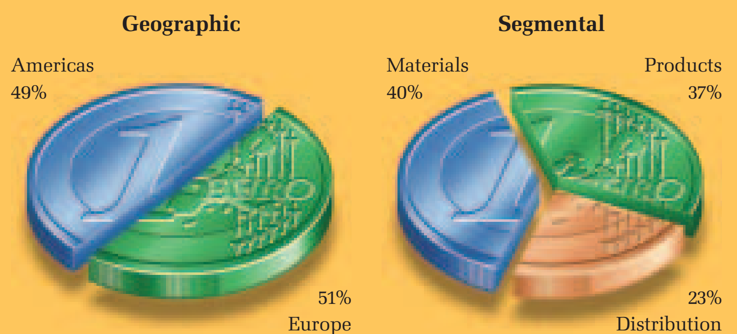
Lean Group centre

Guidance, support, functional expertise and control, as appropriate, is provided in the areas of performance measurement, financial reporting, cash management, strategic planning, business development, human resources, environment and health & safety.

delivering a balanced business

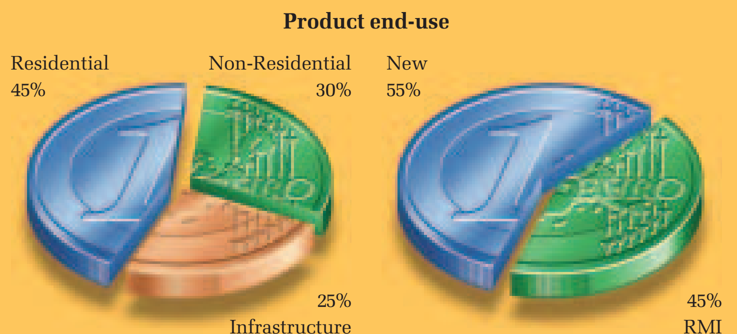
Regional and product balance

CRH's unique balance, both in terms of geographic spread and involvement across its three core businesses, smooths the effects of varying economic conditions and provides greater opportunities for growth.



Sectoral balance

CRH seeks to reduce the effects of varying demand patterns across building and construction end-use sectors by maintaining a balanced portfolio of products serving a broad customer base.



Measurement

Key performance metrics are consistently applied across the Group. Financial control is exercised through a rigorous annual budgeting process and timely monthly reporting, with full-year performance regularly re-forecast under prudent accounting policies, vetted by Divisional management and critically reviewed by Group Finance.

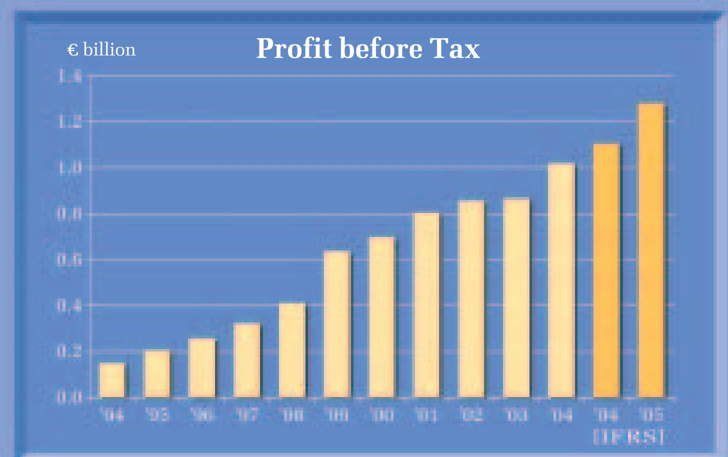
Operational excellence

The Group's size and structure is leveraged to drive margin improvement and earnings growth. With a strong culture of achievement, the businesses drive excellence in performance through continuous investment, efficiency-delivering projects and sustained best practice initiatives across their operations.

Creating shareholder value

CRH has delivered a 19.5% compound annual growth in Total Shareholder Return from 1970 to 2005.

A shareholder who invested the equivalent of €100 in 1970 and re-invested gross dividends would hold shares valued at €50,808 based on a share price of €24.85 at 31st December 2005.



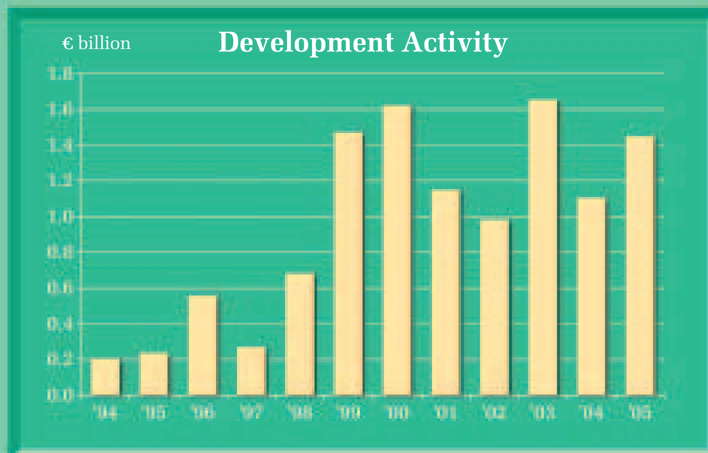
Acquisitions

Value-creating acquisition opportunities are sourced, evaluated, negotiated and integrated by regional and product group managers supported by teams comprising development professionals and experienced operational management. Traditionally, CRH has targeted mid-size companies with deal flow augmented from time to time by larger transactions.

Organic

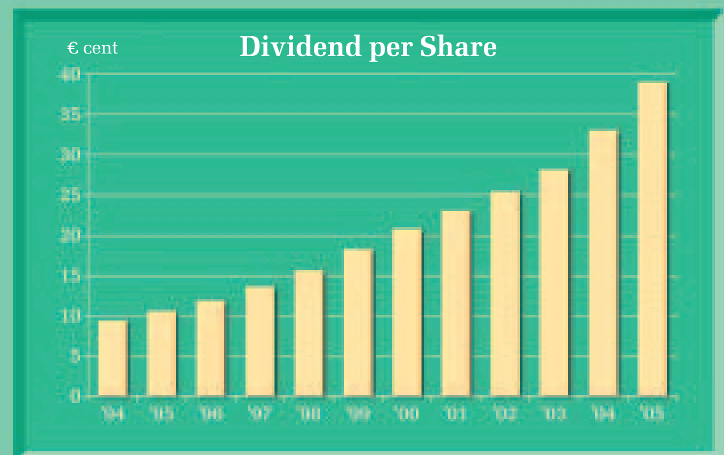
The organic expansion of existing businesses is achieved by investing to improve capacity, quality and efficiency, developing new and innovative products and services, expanding the customer base through new channels and leveraging our brands locally and regionally.

A proven track record



2005 is the twenty-second consecutive year of dividend increase.

CRH operates a progressive dividend policy which has consistently moved dividends ahead achieving a compound annual growth rate of 12.8% over the past 22 years.



"The benefits of the balanced spread of operations across geographic regions and construction sectors, together with management's continuing focus on operational performance and on input cost recovery were again demonstrated in strong results."

PAT MOLLOY

Another satisfactory year's performance

The Group performed strongly in 2005, delivering profit before tax of €1.28 billion and earnings per share of 186.7 cent, increases of 16% and 14% respectively. We are very pleased with these results, given the subdued trading environment in mainland Europe throughout 2005, and the significant increases in energy costs which impacted a number of the Group's businesses.

Management's continuing focus on operational performance and on input cost recovery resulted in good organic growth, supplemented by contributions from acquisitions which, overall, met our expectations. The benefits of the balanced spread of operations across geographic regions and construction sectors were again demonstrated in these results.

Details of the performances of the Group's separate Divisions are given in the Chief Executive's Review and the Operations and Finance Reviews which follow.

Profitability and earnings

Profit before tax increased by 16% to €1.28 billion. Earnings per share increased by 14% to 186.7 cent. Cash earnings per share were 292.5 cent, compared with 261.8 cent in the preceding year.

Over the past five years, despite challenging trading conditions (including sharp currency impacts and very significant energy cost inflation), the Group has delivered annualised earnings per share growth of 9%. We regard this as a very satisfactory series of results.

Dividend

In my statement which accompanied the 2004 Annual Report, I indicated that, reflecting the return to strong earnings growth in 2004, the Board had decided that a higher ongoing annual dividend increase was appropriate. This can be delivered while at the same time maintaining high dividend cover, strong free cash flow and capacity for sustained development spend. Consistent with this, the increase in total dividend for 2004 was 17.4%.

This policy was continued in 2005, and the interim dividend announced on 30th August 2005 represented an increase of 17.2% on the 2004 interim dividend.

A final dividend of 27.75 cent per share (2004 : 23.4 cent per share) is now being recommended by the Board. This, if approved by the Annual General Meeting on 3rd May next, will result in a total dividend of 39.0 cent, an increase of 18.2% over 2004. This will be CRH's twenty-second consecutive year of dividend increase.

Development activity

Development activity for 2005 amounted to approximately €1.45 billion. This was significantly higher than the 2004 level of approximately €1 billion.

Development activity in the first half of 2005 was approximately €0.2 billion. The pace of acquisitions picked up strongly in the second half of the year during which development activity was in excess of €1.2 billion. This gave a strong overall figure, despite significant competition for target businesses and the Group's commitment to completing transactions only at prices that will contribute to long-term value creation for its shareholders.

The most significant transactions in 2005 were:

- The acquisition by our Americas Materials Division of three aggregates, asphalt, paving and construction businesses, located in Kentucky, Virginia and Minnesota, for a total combined consideration of €344 million (US$413 million), as announced on 1st November 2005.
- Just prior to year-end, we acquired control of a 26.3% equity stake in Corporación Uniland S.A., a major Spanish manufacturer of cement, readymixed concrete, mortar and aggregates with additional cement and readymixed concrete interests in Tunisia, Argentina and Uruguay, for a consideration of approximately €300 million.

Overall, the Group invested in a total of 64 development initiatives during 2005. These investments were well-spread in terms of geographic location and product grouping.

The Group continues to have the financial capacity, as reflected in the strength of its balance sheet, to take full advantage of attractive development opportunities as they arise in our target markets.

Corporate Governance

A detailed statement setting out CRH's key governance principles and practices is provided on pages 44 to 47. The Board and management of CRH are committed to achieving the highest standards of Corporate Governance and ethical business conduct, and are satisfied that appropriate systems of internal control are in place throughout the Group.

Board and senior management

In my statement covering 2004, I paid tribute to Wil Roef who retired from the Board following the Annual General Meeting on 4th May 2005. Once again, I thank Wil most sincerely for his very constructive role and significant contribution as a non-executive Director.

Tony O'Brien will retire from the Board on completion of the Annual General Meeting on 3rd

May 2006. Tony has been a non-executive Director since 1992, Senior Independent Director since February 2002 and Chairman of the Remuneration Committee since December 2003. He has made an exceptional contribution to the effectiveness of the Board and the development of CRH, and I thank him sincerely for his valued input and his commitment to the best interests of shareholders.

In accordance with the Company's Articles of Association and best practice in relation to the re-election of Directors, Declan Doyle, Jan Maarten de Jong, David Kennedy and Myles Lee will retire from the Board and seek re-election at the next Annual General Meeting. I have conducted my annual formal evaluation of the performance of all individual Directors and can confirm that each of the above continue to perform effectively and to demonstrate commitment to the role. Notwithstanding David Kennedy's long service as a non-executive Director, the Board considers him to be independent, based on its experience of his contributions and active participation at Board and Board Committee levels. I recommend strongly that David, Declan, Jan Maarten and Myles be re-elected to the Board.

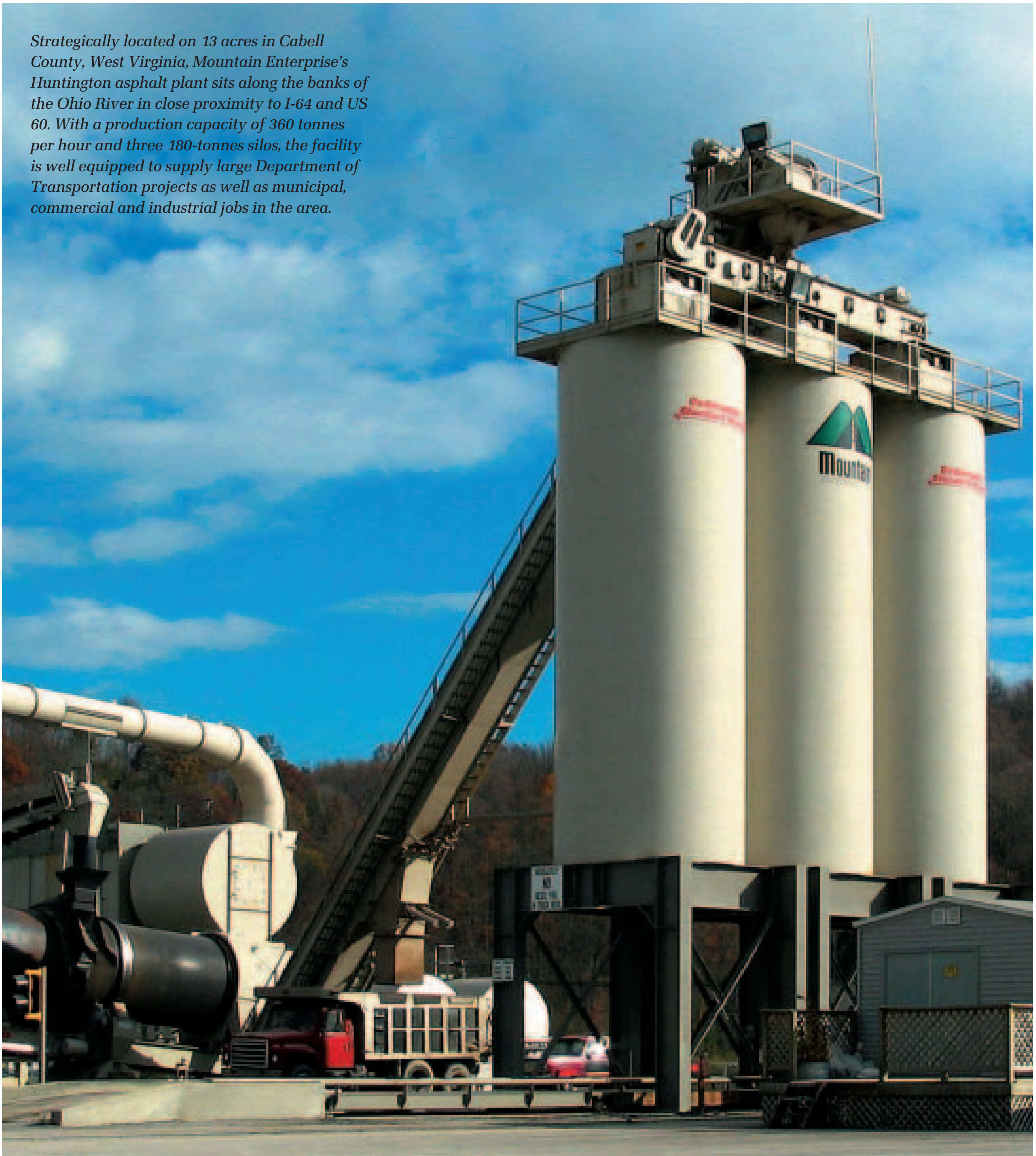
Management and staff

The continued performance and success of CRH is a consequence of its ability to attract, retain and develop talented and committed people, and to provide them with performance-orientated leadership across the 25 countries in which CRH operates. The culture of performance and achievement which pervades CRH is its key strength and best guarantee of its future success. On behalf of the Board, I thank Liam O'Mahony and all CRH staff for their contributions to the success and well-being of the Group, and I congratulate them on another very strong set of achievements in 2005.

Outlook 2006

Management's views on the outlook for 2006 are set out fully in the Chief Executive's Review and the various Operations Reviews. As always, there are challenges and uncertainties in the markets in which CRH operates. Nevertheless, the underlying strength of CRH, its capacity to deliver value-enhancing acquisitions and its relentless focus on performance enable us to face the challenges of 2006 with confidence.

Oldcastle Architectural's line of professionally installed Belgard pavers adds a bold flair to this driveway in Atlanta, Georgia, making a creative first impression.



Strategically located on 13 acres in Cabell County, West Virginia, Mountain Enterprise's Huntington asphalt plant sits along the banks of the Ohio River in close proximity to I-64 and US 60. With a production capacity of 360 tonnes per hour and three 180-tonnes silos, the facility is well equipped to supply large Department of Transportation projects as well as municipal, commercial and industrial jobs in the area.

"2005 represents the thirteenth consecutive year of profit and earnings growth for CRH and the twenty-second consecutive year of dividend increase, made possible by the dedication and the contributions of the entire CRH team, which now spans 25 countries."

LIAM O'MAHONY

CRH continued to move forward on many fronts in 2005, once again producing new record sales and profits; a combination of strong underlying organic growth and good contributions from acquisitions. We also delivered substantial development success particularly in the second half of the year.

Our activities are broadly split between the Americas, principally the United States, and Europe. Despite heightened awareness of the budget and trade deficits, the devastating impact of hurricane Katrina which decimated New Orleans, and ongoing national security costs, the United States economy continued to grow relatively robustly in 2005. In contrast, while activity in some European countries picked up somewhat, overall Eurozone growth was still disappointing, with continuing weakness in the Netherlands and Germany. Energy prices rose further, but our businesses coped well with this challenge. The US Dollar stabilised, leading to minimal overall currency impact relative to the previous year.

Highlights of the year's strong performance include:

- Sales of €14.4 billion, up 13% on 2004.
- Profit before tax of €1.28 billion, up 16% on 2004. This is CRH's first year reporting under the new IFRS accounting standards. All comparisons with 2004 are restated on the same basis.
- Earnings per share of 186.7 cent, up 14%.
- 2005 represents the thirteenth consecutive year of profit and earnings growth.
- Dividend per share of 39.0 cent, up 18%. This is the twenty-second consecutive year of dividend increase.
- Development activity of approximately €1.45 billion; our traditional local and regional add-on acquisitions, augmented by two larger transactions in our European and Americas Materials businesses, together with a number of strategically important capital projects.
- Continued strong cash flow, with an EBITDA/interest cover of 12.7 times, which allows significant flexibility and capacity to continue to grow the Group through value-enhancing acquisitions.

2005's performance and growth was, as always, made possible by the CRH team across the 25 countries in which we operate and whom I thank for their dedication and contribution.

2005 operations

Europe Materials, Americas Materials and Americas Products & Distribution all achieved significant profit growth, while in Europe Products & Distribution, where contributions from acquisitions were offset by weakness in the core Dutch market and continued first-half raw material cost pressures in our Insulation business, the outcome was slightly lower than 2004. The performance of each of these Divisions is dealt with in some detail in their individual Operations Reviews.

With generally better economic activity in its major countries and continuing tight cost control in very competitive markets, Europe Materials achieved good advances in most of the territories in which it operates. In Finland and the Baltics, robust economic growth translated into better activity levels and increased profits. Poland had a strong second-half recovery from a very slow weather-affected first half and finished the year with good momentum and with volumes and profits ahead. Switzerland had a good year, with results broadly similar to 2004. In Spain, ongoing strength in housing and infrastructure led to further improvements in the outcome, while our Portuguese joint venture Secil, despite a flattening domestic market, delivered a satisfactory first full-year contribution. Irish profits advanced somewhat; a combination of increased public and commercial activity in Northern Ireland together with continued very strong housing and infrastructure markets in the Republic of Ireland, where commercial activity also continued to recover.

The most difficult markets faced by CRH in 2005 related to the Europe Products & Distribution Division. The Netherlands, which accounts for approximately half the sales of this Division, had very anaemic economic growth; the residential sector was the brightest spot, continuing to recover from recent lows, but consumer confidence was weak, adversely affecting DIY sales. The German economy was particularly weak, but surrounding countries did somewhat better, while in the UK, brick demand was down. Ongoing cost initiatives were a factor across our businesses. Against this background, Concrete Products reported similar profits, with acquisition contributions and gains in the structural division outweighing weakness in our architectural business. In Clay Products, lower UK volumes were offset by stronger Mainland Europe activity and gains in pricing and cost effectiveness. Our growing Building Products division performed well, but Insulation showed further significant declines, due to

restructuring costs and continued first-half input cost volatility which eased somewhat in the second half. Despite the very difficult market backdrop, our extensive Distribution group achieved record results; improvements in Portugal, Switzerland and France together with strength in Dutch builders merchants and acquisition contributions more than offsetting the Benelux DIY weakness.

The Americas Materials Division is heavily weighted towards United States infrastructure activity, but residential and non-residential markets are also important, providing about one-third of end-use. Highway markets were broadly similar to 2004, and while the new Federal Highway Bill came into effect too late to make any 2005 impact, it should underpin future demand. Following shortfalls in recent years, the Division had significant success in recovering the additional energy cost increases it faced during the year; this will continue to be a prime focus. Sustained cost improvement programmes also brought further gains. In varying markets, New England, New York/New Jersey and the Mid-West all improved their performances, while the West, in particular, capitalised on strong readymixed concrete demand driven largely by housing, to achieve record results. With a good performance from operations and the benefit of acquisition contributions, Americas Materials produced strongly increased overall profits.

Continued strength in United States housing and recovery in non-residential activity provided a positive general economic backdrop for our Americas Products & Distribution Division. Sales and profits reached new record levels. Recent acquisitions performed satisfactorily and all four sub-product groups had excellent operational performances. Precast continued its strong recovery of recent years, capitalising on the continuing advance in non-residential markets, while Glass delivered another improved year. Architectural Products, the largest of these groups, made further advances despite slight signs of softening in its repair, maintenance and improvement markets. Distribution had another outstanding year, benefiting from post-hurricane reconstruction in Florida, and further delivery on its strategy of sales and margin development across the network. Our South American businesses; clay products in Argentina, glass in Argentina and Chile, performed well, in an environment which continues to be challenging.

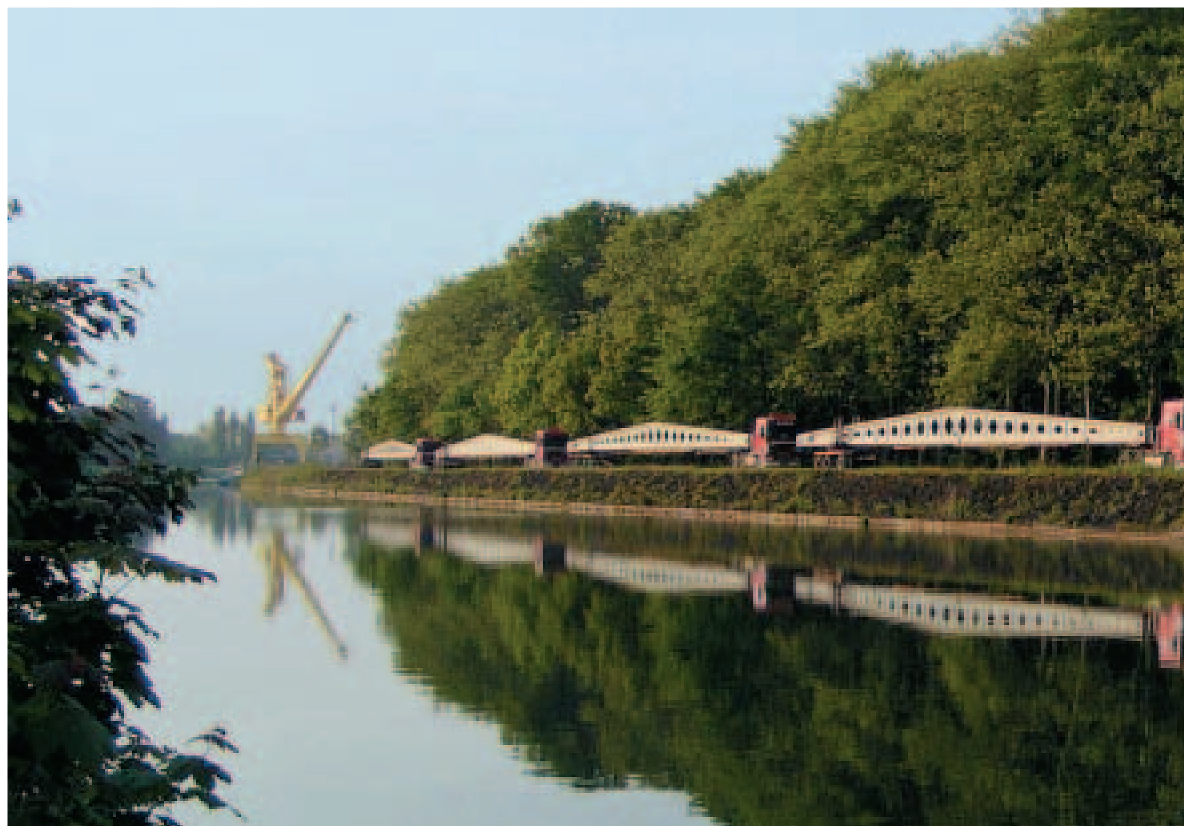
Development

2005 was a year of considerable success on the development front with total activity of approximately €1.45 billion. This involved value-enhancing acquisitions across all Divisions together with a number of major capital projects. These will add to the future performance and growth of the Group, and once again demonstrate the success of CRH's well-proven development strategy.

Europe Materials committed €50 million to four add-on deals and two development capital projects. Just before year-end, we acquired control of a 26.3% stake in Corporación Uniland; a major Spanish cement, aggregates and readymixed concrete producer with interests in Tunisia and South America, for approximately €300 million.

It was a very active year for Europe Products & Distribution with a total commitment of €405 million. This included strategic acquisitions by Concrete Products in Belgium, France and Denmark; adding to our growing Construction Accessories business in a number of European countries; and significantly enhancing our Distribution network through greenfield expansion, add-on acquisitions and our first acquisitions in Austria and Germany.

For Americas Materials, in addition to committing €72 million to some important add-on deals, the highlight was the €344 million purchase of the Mountain Companies; an integrated aggregates and asphalt player in



Kentucky, West Virginia and Virginia, and a 50% stake in Bizzack, Mountain's heavy construction affiliate, together with Southern Minnesota Construction.

Americas Products & Distribution spent a total of €279 million, again a combination of capital projects and add-on acquisitions, across all four sub-product groups. In total, these acquisitions and projects add significantly to, and strengthen, our leadership positions in these businesses across the United States.

Human resources

At the risk of seeming repetitive, each year I emphasise the fundamental importance to CRH of investing in people - this is because it is fundamentally important. The success of CRH is very much due to having talented, committed, enthusiastic and well-qualified people throughout the Group. We encourage and support the continuous professional development of the CRH team and its members. Challenging work assignments are supplemented by formal programmes to ensure that the next generation of leaders is ready to take on increased responsibilities when required.

Late in the year, Liam Hughes, who has a long and successful track record inside and outside the Group, stepped up as Acting Managing Director - Europe Products & Distribution, temporarily replacing John Wittstock who is currently recovering from illness.

CRH continues to grow, and our acquisitions bring new talent which adds strength and vitality to our existing team. While accommodating this growth, the organisation continues to evolve in a flexible manner to enable us to bring maximum added-value to our operations.

Corporate Social Responsibility

Achievement of international best practice in ethical and responsible behaviour in relation to all stakeholders, internal and external, is a goal to which CRH continues to be firmly committed. In 2005, our performance and achievements in this fundamental area have once again been widely recognised by a number of leading sustainability rating agencies. Stakeholder expectations continue to rise in the implementation of corporate social responsibility, and we are determined to meet the challenge of raising our own performance in parallel.

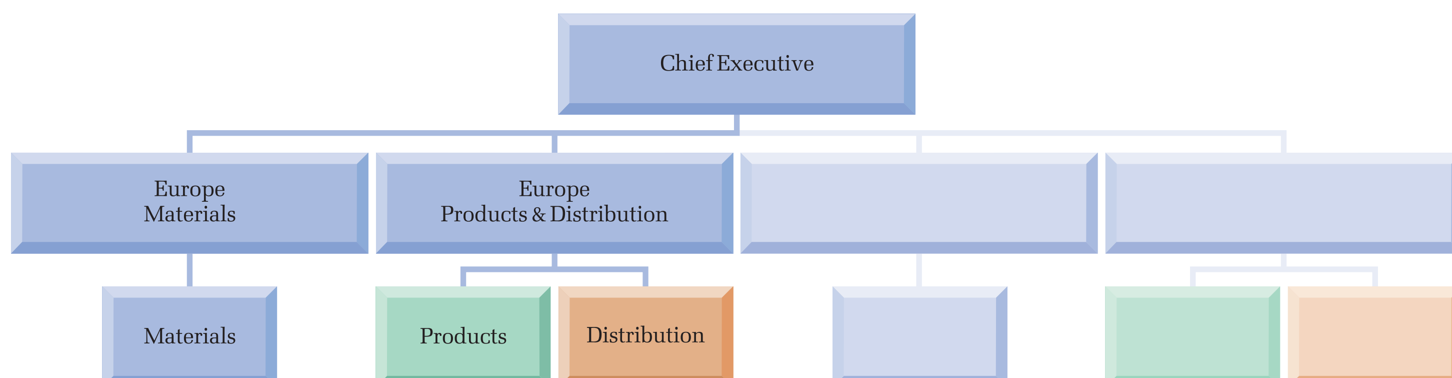
Our commitment and approach are set out more fully in a separate section of this Report. This deals particularly with environment, health & safety, employment and other social issues, in all of which, while we believe our performance is among the best in our industry, we seek continuous improvement. This is effected through management leadership and priority-setting, together with internal and external benchmarking, plus a significant investment in resourcing and training people.

Outlook 2006

CRH delivered a strong profit and development performance in 2005. Key to that performance was the effective recovery of significant energy cost increases; this looks likely to continue to remain crucial in the year ahead.

While as always risks remain, the current business outlook is on the whole positive and we enter 2006 with good momentum. A gradual pick-up in European economies seems broadly under way, which if maintained should bring good benefits. In the United States, while housing may moderate at strong levels, non-residential construction should continue to recover and highway markets are underpinned by passage of the new Highway Bill. With a continuing focus on operational effectiveness and ongoing acquisition benefits, we look to 2006 with confidence.

Ergon, located near Antwerp in Belgium, produces more than 100,000m^3 of precast building elements annually and supplied prestressed girders with an exceptional span of 50 metres for the Honda Spare Parts Center near Brussels.



Materials

€ million	% of Group	**2005**	2004	Change
Sales Revenue	18	**2,646**	2,307	+339
Operating Profit	27	**377**	320	+57
Average Net Assets		**2,000**	1,752	
Operating Profit Margin		**14.2%**	13.9%	

Analysis of change

Exchange Translation	2004 Acquisitions	2005 Acquisitions	Organic
+28	+107	+24	+180
+4	+17	+3	+33

Products

€ million	% of Group	**2005**	2004	Change
Sales Revenue	18	**2,533**	2,245	+288
Operating Profit*	13	**176**	191	-15
Average Net Assets		**1,790**	1,617	
Operating Profit Margin		**6.9%**	8.5%	

Analysis of change

Exchange Translation	2004 Acquisitions	2005 Acquisitions	Re-org. Costs	Organic
+9	+124	+137	-	+18
-	+11	+4	-7	-23

* *Operating Profit includes re-organisation costs of €10 million (2004 : €3 million).*

Distribution

€ million	% of Group	**2005**	2004	Change
Sales Revenue	15	**2,193**	1,904	+289
Operating Profit*	9	**123**	121	+2
Average Net Assets		**916**	808	
Operating Profit Margin		**5.6%**	6.4%	

Analysis of change

Exchange Translation	2004 Acquisitions	2005 Acquisitions	Re-org. Costs	Organic
+2	+186	+70	-	+31
-	+5	-	-	-3

* *Operating Profit relating to 2004 acquisitions is after €3 million of integration costs. Operating Profit includes re-organisation costs related to ongoing operations of €2 million (2004 : €2 million).*

"Economic conditions were firm and markets continued to recover in all countries where the Division operates, with Ireland remaining particularly active throughout the year. Including a first full-year Secil contribution, profits moved strongly ahead."

DECLAN DOYLE

2005 Overview

The Division benefited from generally improved market conditions in all major regions. Ireland enjoyed further construction growth with the continuing buoyant housing market outweighing the impact of the early completion of a number of large road projects. Finland benefited from an improvement in cement sales and solid volumes in other products. Poland, after a weak start, performed strongly in the second half with most products, notably cement, recovering to finish ahead of 2004. In Switzerland, our cement volumes finished ahead of 2004 levels helped by better than anticipated demand from the final phase of the major Lötschberg tunnel project. Spain has a vibrant construction industry with a robust housing market, and trading conditions remained strong throughout the year. In a difficult economic environment in Portugal, Secil had a satisfactory outcome in its first full year in the Group.

Despite competitive markets, with continuing tight cost control and investment in new state-of-the-art production facilities to meet growth, our sales increased by 15% and operating profit by 18%, to deliver another record year.

During the year, the Division invested €50 million in a number of strategically important bolt-on acquisitions and development capital projects and at year-end acquired control of a 26.3% equity stake in Corporación Uniland, a major Spanish cement producer, for approximately €300 million.

Ireland

We had another good year in Ireland in 2005 with overall construction output on the island up by approximately 5% and an increase of approximately 5% in our total cement volumes. In the Republic of Ireland, the housing sector remained the main driver with house completions ahead of last year at approximately 81,000 units. The National Development Plan continued to deliver strong road construction activity and the commercial and industrial sectors improved with the sustained growth in the economy. In Northern Ireland, the commercial sector and public sectors were very strong although this was partly offset by a decline in housing activity due to delays in the planning process, rather than any underlying lack of demand.

With the concrete products market performing well, our cement plants in both Limerick and Platin once again produced at maximum output. We continue to pursue an active capital expenditure programme in both plants to optimise capacity and improve efficiencies.

Despite very competitive markets, our aggregate and concrete products companies performed strongly and made good progress in recovering cost inflation. Our on-going programme of investment in raw material reserves and new efficient plant and machinery continued during 2005.

Overall, this was another good year for CRH in Ireland with profits ahead of 2004.

Finland/Baltics

The Finnish economy grew by approximately 2.5% in 2005 helped by buoyant exports particularly to Russia. After a flat start to the year, construction

Beton Catalan is supplying 70,000m^3 of readymixed concrete to the extension of Line 5 of the Madrid Underground at Canillejas-Alameda, which commenced in December 2004 and will be completed by May 2006.

activity recovered in the second half giving overall growth of approximately 3%. This was evident across all sectors of the market with our cement volumes also exceeding 2004 levels by approximately 3%.

The project to replace and upgrade the clinker production facility at Lappeenranta in southeastern Finland is well under way and the modern efficient kiln is scheduled to be on-line in 2007. The Baltic region, including St. Petersburg, enjoyed strong growth and volumes exceeded 2004 levels in all products.

Profits grew for the year due to increased second-half demand, better margins and tight cost control in all areas.

Poland/Ukraine

The Polish economy grew at a lower rate than 2004 with GDP up 3.7%. Despite this, building materials sales benefited from the support of European Union investment, particularly in road construction.

The extended winter reduced sales of all products at the start of the year. However, cement demand in the second half proved exceptionally strong, leaving volumes just ahead of 2004 by year-end. The aggregates and blacktop businesses benefited most from increased road building activity, and volumes were better. As expected, lime sales were down on 2004; however, ongoing rationalisation resulted in an improved performance. The concrete products businesses had varying fortunes with both readymixed concrete and pavers experiencing higher demand, whilst aerated concrete volumes were down. Overall, profits in Poland improved on 2004 levels.

Although GDP growth in Ukraine slowed somewhat, cement sales grew significantly resulting in a substantial profit increase.

Switzerland

The Swiss economy grew by 1.7% in 2005 helped by growth in exports of 5.5%. Inflation remained low at 1.2% and unemployment declined slightly. Construction activity increased by about 2.5% with growth in housing and continuing good infrastructure spend more than compensating for modest declines in other sectors. Our aggregates operations performed well, while our cement volumes increased by approximately 6%, driven by infrastructure projects.

Despite strong competition, overall profit performance was in line with the high level achieved in 2004 as a result of efficiency improvements and greater use of alternative fuels in the Wildegg cement plant.

Spain

In Spain, construction markets were active with output up about 4%. The residential market was the main driver, together with strong infrastructural investment in the Madrid and Catalonia markets. Overall sales and profits were ahead of 2004.

Portugal

Economic activity levelled off in Portugal in 2005, with construction output moderating in the second half of the year due to reduced housing activity and constraints on public expenditure. Higher input costs at our joint venture Secil were offset by good cost control and pricing discipline in our main regional markets. Cement sales by Secil in Tunisia were in line with prior years and operational performance at the

Divisional profile

The Materials Division in Europe is a major producer of primary materials and value-added manufactured products operating in 13 countries. In Ireland, Finland, Poland and Switzerland, CRH is a leading vertically integrated producer of cement, aggregates and readymixed concrete. In Spain, CRH has leading regional positions in aggregates, readymixed concrete and precast concrete products and control of a 26.3% equity stake in a major cement producer. Through Secil, CRH is a leading cement, aggregates and readymixed concrete producer in Portugal and is a leading cement producer in Tunisia. In total, the Division employs 11,600 people at over 450 locations.

Activities	Annualised production volumes*	Market leadership positions
Cement Finland, Ireland, Poland, Portugal (49%), Switzerland, Tunisia (49%), Ukraine	12.8m tonnes**	No. 1 in Finland and Ireland No. 2 in Portugal and Switzerland No. 3 in Poland
Aggregates Estonia, Finland, Ireland, Latvia, Poland, Portugal (49%), Spain, Switzerland	76.4m tonnes	No. 1 in Finland and Ireland
Asphalt Finland, Ireland, Poland, Switzerland	4.3m tonnes	No. 1 in Ireland
Readymixed concrete Estonia, Finland, Ireland, Latvia, Poland, Portugal (49%), Russia, Spain, Switzerland, Tunisia (49%)	12.3m cubic metres**	No. 1 in Finland and Ireland No. 2 in Portugal and Switzerland
Agriculture & chemical lime Ireland, Poland, Switzerland	1.3m tonnes	No. 1 in Ireland No. 2 in Poland
Concrete Products Estonia, Finland, Ireland, Poland, Portugal (49%), Spain, Tunisia (49%)	7.8m tonnes	No. 1 block and rooftile producer in Ireland
Clay bricks Ireland	0.2m tonnes	No. 1 producer

* *CRH share*

** *Excludes CRH share of Uniland in Spain (26.3%) and Mashav in Israel (25%). CRH's share of annualised production volumes for these businesses amount to approximately 3.0m tonnes of cement and 0.8m cubic metres of readymixed concrete.*

facility in Gabes improved. Overall, while cement volumes showed a slight reduction on full-year 2004 levels, the Secil group performed satisfactorily with sales and profits in line with expectations.

Israel

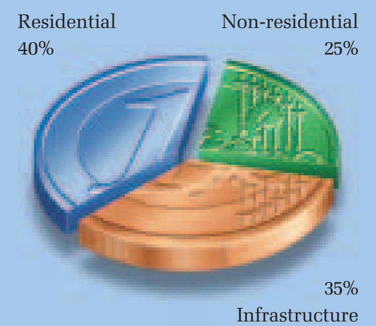
Mashav, in which CRH has a 25% stake, delivered an improved operating result. Despite continuing political difficulties, a

CRH's Polish asphalt manufacturing company Masfalt, has expanded into the rapidly growing Łodz market with the opening of a new depot at Zgierz and the commissioning of a Finnish-built Ammomatic 4-tonne batch plant. Łodz, the second largest city in Poland, is situated on the trans-European highway route between Berlin and Warsaw where the A2 motorway is currently being built.

Product end-use

Residential 40%

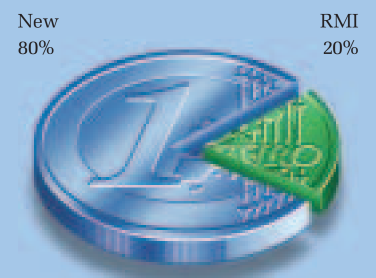
Non-residential 25%



35% Infrastructure

New 80%

RMI 20%



better economy led to higher Israeli cement demand, while stronger activity in the West Bank and Gaza favourably influenced sales.

Outlook 2006

In Ireland, housing output is expected to ease in the second half of 2006 from the current very high levels. However, this is likely to be offset by increased activity in the commercial and industrial sectors. The new Government National Development Plan announced in 2005 is expected to continue to underpin a high level of expenditure on infrastructure and public projects in 2006 and beyond.

In Finland, GDP growth of over 3.0% is expected in 2006 helped by continuing growth in exports. Construction volumes are expected to develop in line with GDP, especially in the commercial and industrial sectors, while housing and infrastructure should remain strong. Construction activity in the Baltic States will benefit from European Union funds and demand in St. Petersburg remains brisk.

Polish GDP is predicted to increase by 4% in 2006 with higher growth forecast for the construction sector. With full membership of the European Union, funds are now available for infrastructure projects; roads and environmental projects are the major beneficiaries. The housing market is expected to improve significantly, especially in the major cities, while strong advances are also expected in the non-residential sector.

The Swiss construction outlook for 2006 is stable with a small decline in housing expected to be offset by a pick-up in industrial activity. While some infrastructure projects in our markets are now complete, overall activity levels are expected to remain stable for 2006.

Spanish construction is forecast to remain at current levels due to the ongoing strength of housing and infrastructure markets. In Portugal, some small decline in the construction market is likely due to continued residential weakness and tightening government expenditure.

Current forecasts show Israel benefiting from a slight improvement in the underlying economy and ongoing activity in the West Bank and Gaza.

With a broadly positive market outlook and capital expenditure programmes focused on cost reduction and productivity improvement beginning to feed through to the bottom line, 2006 should see further organic growth. This, combined with the benefit of 2005 development initiatives, should deliver another year of progress for the Division.

Development strategy

The Division has strategically located, long-term permitted reserves in all its major markets, which are augmented on an ongoing basis through new deposit acquisitions as market opportunities are identified. As a result, we have in place reserves suitable for long-term dry-process cement manufacture and hard-stone quarries geared to local market concrete demand.

We also operate an active capital expenditure programme of re-investment in our existing facilities to improve energy and operational efficiency and to expand capacity to meet future demand growth.

Our strategy is therefore focused on building and maintaining strong market positions in primary building materials and related products through a combination of organic growth, greenfield development and acquisitions in selected European markets.

Ireland

- Maintain our position as the lowest cost/best value producer
- Continue to operate to the highest environmental standards

Finland/Baltics

- Maintain our strong position in cement, aggregates and readymixed concrete
- Invest in plant modernisation for operational efficiency
- Expand into selected new product and geographic areas

Poland/Ukraine

- Develop a strong national presence in the materials industry
- Invest in plant & equipment for energy efficiency and higher environmental standards
- Continue expansion into neighbouring countries

Switzerland

- Enhance existing positions in cement, aggregates and readymixed concrete
- Re-invest in plant & equipment for fuel-type optimisation
- Acquire new businesses in surrounding regions

Spain

- Strengthen our existing market positions
- Expand selectively into related products and regional markets

Portugal

- Expand into related products and extend regional markets

Elsewhere

- Build on existing positions in Central and Eastern Europe
- Selectively acquire materials businesses in other European countries
- Expand in the Mediterranean basin

"Despite subdued trading conditions with generally flat markets and rising input costs, the Division achieved good sales growth through significant contributions from 2004 and 2005 acquisitions; however, operating profits were lower, largely due to a sharp decline in results from our Insulation activities."

JOHN WITTSTOCK

2005 Overview

2005 saw generally subdued trading conditions, with significant differences in economic activity in our major markets. The Netherlands, UK and Germany were weak while France, Belgium, Switzerland and the Nordic countries were somewhat stronger. The Division achieved sales growth of 14%, mainly due to 2004 and 2005 acquisitions. With flat markets and significant increases in input costs, operating profits fell, largely due to a sharp decline in results from our Insulation activities.

Concrete Products

This group manufactures concrete products for two principal end-uses: pavers and tiles/blocks for architectural use, and floor/wall elements, beams, vaults, and drainage for structural use. In addition, it manufactures sand-lime brick for the residential market, and through its 45% Cementbouw joint venture, is involved in materials trading and readymixed concrete. The group reported similar profits in 2005 with contributions from acqusitions offsetting heritage declines in challenging markets.

In August 2005, the Concrete group acquired Stradal, the leading landscaping and infrastructural products business in France. This acquisition provides opportunities for savings and synergies with our existing businesses in France, Belgium and Germany. Stradal performed in line with expectations during the period since acquisition.

Further acquisitions included Marmorith, an important bolt-on operation for our structural business in Belgium, and the acquisition of the Danish paving producer RBR, thereby establishing the group's first presence in the Nordic paving market.

Finally, a natural stone trading operation was acquired in Belgium, which enlarges our product offering to the public market in the Benelux.

Architectural

Similar to last year, our Dutch and Belgian concrete businesses faced tough competition due to market over-capacity and downward price pressure. In Germany, lower volumes and higher raw material costs led to a decline in profitability. In Slovakia, our business performed ahead of expectations and profits advanced. The softening UK housing market impacted on our business and our results in the UK were lower than in 2004.

Structural

The Belgian structural companies delivered an excellent performance with synergies being realised from recent acquisitions. Our businesses in France and Poland performed strongly on the back of robust markets and benefits from recent cost-cutting actions. The Dutch companies performed in line with 2004 with the commercial market still weak. Our Danish businesses, which provide a complete design, production and installation service, grew strongly and profits were well up on 2004.

Sand-lime brick

Our sand-lime brick business was successfully rebranded under the name of Calduran and introduced several new innovative products to the market. We continue to focus on devising new methods of improving efficiencies and flexibility in the application of its products. Supported by an upturn in the housing market, Calduran sales and profits advanced in 2005.

Cementbouw joint venture

Trading conditions remained tough for this joint venture in

Calduran is the leading supplier of custom-made sand-lime elements for the Dutch residential sector. These elements are used to construct load-bearing walls and are efficiently installed with small cranes.

materials trading and readymixed concrete in the Netherlands and profits declined.

Clay Products

In the UK, brick industry volumes continued to decline, due to falls in both the new residential and RMI sectors. Energy prices increased significantly, particularly towards the end of the year. Nevertheless, Ibstock's profits remained at similar levels to last year, supported by strong pricing, improved factory and energy efficiencies and good cost control. In March, Ibstock acquired Manchester Brick & Precast, a specialist manufacturer of brick-clad precast components, to add to its Kevington division.

In Mainland Europe, overall profitability remained stable for our activities in the Netherlands, Belgium, Germany and Poland, despite strong increases in energy costs. The group continued to expand through the acquisition of a strong regional construction block business in Poland and a façade system specialist in the Netherlands.

Building Products

The Building Products group comprises four product segments: Insulation, Fencing & Security, Daylight & Ventilation and Construction Accessories.

Market conditions for these businesses in Germany and the Netherlands remained difficult and pressure on profits was only partly offset by strong cost control and acquisition benefits. Sales in our other markets showed good progress. Four bolt-on acquisitions during the year strengthened market positions in France, Belgium, Switzerland and Germany.

Insulation

The business has strong market positions in the UK, Ireland, Benelux, Germany, Poland and the Nordic area. Overall sales were unchanged, with the incremental contribution of acquisitions offset by the impact of challenging markets in the Netherlands, Germany and Poland. Our operations suffered from severe volatility in energy-related input costs in the first half of the year and, despite making good progress with restructuring initiatives and delivering a more stable second-half performance, profits declined sharply.

Fencing & Security

Fencing & Security had another year of progress despite profit pressure in Germany arising from fierce competition. Our fencing operations in the Netherlands once again delivered a strong performance despite dull markets. In the UK, good results were achieved for the second year in succession due to strong government spending and good organisational performance. Arfman, a specialist Dutch supplier and installer of railway and fauna fencing solutions, was acquired in May.

Daylight & Ventilation

Daylight & Ventilation faced strong German and Dutch competition resulting in lower margins. In Germany, a restructuring programme adversely affected profits. The Laubeuf group, involved in the engineering, manufacturing and installation of glass roofs in France and Belgium, was acquired in February adding significantly to our market positions.

Construction Accessories

Our heritage operations delivered higher profits, successfully passing on steel price increases. The business was enlarged by two acquisitions, strengthening our positions in Germany and Switzerland. Aschwanden; a major Swiss producer of metal-based construction accessories was acquired in June. In October, we acquired Syncotec; a major European producer of plastic, metal and concrete spacers, with strong market positions in France

Divisional profile

The Products & Distribution Division in Europe is organised as three groups of related manufacturing businesses and a distribution group. The manufacturing groups are involved in concrete (including sand-lime brick), clay and other building products (including insulation). Distribution encompasses builders merchants and "do-it-yourself" (DIY) stores. The Division operates in 16 European countries with the Benelux, France, Switzerland, the UK and Germany accounting for the bulk of sales. We seek leadership positions in the business sectors/markets in which we operate. Europe Products & Distribution employs 21,100 people at over 1,000 locations.

Activities	Annualised production volumes*	Market leadership positions
Concrete blocks & pavers Benelux, France, Germany, Slovakia, UK	11.6m tonnes	No. 1 paving products in Benelux, France and Slovakia No. 1 paving/landscape walling in Germany No. 1 architectural masonry in the UK
Precast concrete products Benelux, Denmark, France, Poland	6.4m tonnes	No. 1 precast flooring in Benelux, joint No. 1 precast architectural concrete in Denmark, No. 1 utility precast in France
Clay bricks, pavers & rooftiles Germany, Netherlands, Poland, UK	2.7m tonnes	No. 1 clay pavers in Germany, No. 1 quality facing bricks in Netherlands, No.1 facing bricks in the UK No. 2 clay facing bricks and blocks in Poland
Insulation products Benelux, Denmark, Estonia, Finland, Germany, Ireland, Poland, Sweden, UK	5.7m cubic metres	No. 1 EPS in Ireland, Netherlands, Poland and Nordic region; Joint No. 1 in the UK, joint No. 1 XPS in Germany, No. 1 XPE in Germany
Fencing & Security Benelux, France, Germany, UK	2.2m lineal metres	No. 1 security fencing and perimeter protection in Europe
Daylight & Ventilation Benelux, France, Germany, Ireland, UK	1.1m square metres	Joint No. 1 in Europe in glass structures, plastic rooflights, natural ventilation and smoke exhaust systems
Construction accessories Benelux, France, Germany, Spain	n/a	No. 1 in Belgium, France and Spain No. 2 in Europe overall
Builders merchants Austria, France, Germany, Netherlands, Switzerland	333 branches	No. 1 in Netherlands, No. 1 in Burgundy, Rhône-Alps and Franche-Comté in France, No. 1 in German-speaking Switzerland, No. 1 in Sachsen-Anwalt, Niedersachsen and northern Nord Rhein Westfalen, No. 1 in Austria No. 2 in Ile-de-France
DIY stores Benelux, Germany, Portugal	200 stores	Member of leading Dutch franchise Joint No. 2 in Portugal

* *CRH share*

and Germany. These acquisitions contributed strongly to profits.

Distribution

After record 2004 sales and operating profit, 2005 was a year of further growth for the Europe Distribution group despite less favourable market conditions, especially in the Dutch and Belgian DIY businesses. 2005 was a very active development year with a total of four acquisitions. Together with 12 greenfield locations, we added 154 new locations to our existing network. This is a solid basis for further sales and profit improvements in 2006 and onwards. With 533 branches in seven countries (of which 178 are operated in joint ventures), Europe Distribution is a leading distributor of building materials in its regions.

"Orso-V", Aschwanden's successful product of heavy load, fire resistant columns with punching shear steel heads used on the building site of the new Rolex Watches production plant in Biel, Switzerland.

A 47.82% stake in Bauking was acquired in late-December 2005. Bauking is one of the major German builders merchants and DIY operators with 108 branches in the northern part of Germany. Given the timing of acquisition, no sales or profits for Bauking are included in our 2005 results.

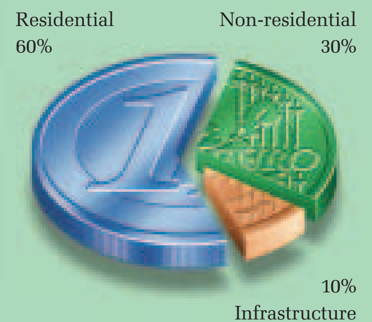
DIY

In a slow-moving Benelux market driven by reduced consumer confidence leading to generally weak retail sales, our DIY business had another satisfactory year, although profits were somewhat below the record 2004. With the opening of four new stores, our network was expanded to 139 stores. However, our DIY joint venture in Portugal made a good advance in sales, supported by the opening of five new stores, bringing the total network to 21 stores.

Product end-use

Residential 60%

Non-residential 30%



10% Infrastructure

New 60%

RMI 40%

Builders Merchants

Netherlands: Although the number of new house completions increased, our Dutch general builders merchant business faced increased competition. Rigorous cost control and synergy effects from 2004 acquisition activity resulted in a solid profit increase, despite restructuring costs. Our Dutch roofing business reported a record year both in sales and profits, our ironmongery business remained disappointing, but the aluminium business was at a satisfactory level ahead of last year.

France: Our businesses in Ile-de-France had an improved year and the completion of restructuring gives good confidence for future profit improvement. Our Doras joint venture made further progress in lacklustre markets in the Burgundy and Franche-Comté regions.

Switzerland: Our operations benefited from good market conditions and, helped by the positive impact of internal improvement programmes, our business out-performed. This resulted in an excellent year with further progress in sales and profits. In 2005, we completed two acquisitions, adding three branches to the existing network.

Austria: Quester; a leading builders merchant with 32 locations, was acquired in October 2005 as a platform for growth in the fragmented Austrian builders merchants market and its post-acquisition performance had only minimal impact in 2005.

Outlook 2006

Forecasts for construction output in our major markets are showing some growth in 2006, with the exception of Germany and the UK. For the Netherlands, we expect a pick-up in the economy with continued growth in new housing construction and strengthening consumer confidence from the low 2005 levels.

The forecast for the UK construction industry is for continued growth but at a more moderate pace than in recent years and with the housing market showing signs of cooling-down.

In Germany, construction volumes have been decreasing steadily and no recovery is expected before 2007. Residential and non-residential construction will continue to decline in 2006, with infrastructure and civil engineering likely to be flat.

The significant upturn in demand for new residential and new non-residential in Belgium that we have seen in the last few years is expected to continue, although maybe at a less vigorous pace. With elections coming up in 2006, a further increase is expected in public investments in civil engineering projects.

While the construction market for new housing in France is expected to decrease, the non-residential sector is expected to be reasonable and elections will likely cause an upswing in civil engineering projects.

For Switzerland, expectations are that GDP growth in 2006 will accelerate further. Solid growth is foreseen in residential construction and the downward trend in non-residential construction should stabilise.

Our operating teams will continue to focus on further margin improvements and cost efficiencies throughout the Division. We look to another active year on the development front and an advance in profits in 2006.

Development strategy

Build leadership positions in targeted European markets in the manufacture and distribution of building products through organic investment and acquisition; continuously improve our businesses with state-of-the-art IT, exchange of process and product know-how, and active best practice programmes.

Concrete Products

- Architectural: Consolidate and extract synergies from market-leading positions in Germany, France and Benelux; accelerate growth from our existing platforms in Central Europe and Nordics, and establish new foothold in the Mediterranean; intensify support from mature regions to developing regions by transferring technology, product assortment, logistics and marketing skills
- Structural: Continue to optimise Benelux and Danish structural operations and develop complementary presence in adjacent regions; establish new development platforms in Central Europe and the Mediterranean; utilise engineering, project management and logistics skills to add more value to customers
- Utility: Develop presence of utility products group (transport/water/energy networks) throughout Europe using presence and knowledge transfer from current businesses
- Sand-lime brick: Build on capabilities of Dutch sand-lime operations and offer solutions using other structural concrete products; develop and support new platforms throughout Europe

Clay Products

- Raise profitability through better capacity utilisation, cost efficiencies and continuous improvement
- Selective plant investment in the UK to improve energy efficiency and to enhance process and product flexibility
- Maintain market leadership positions in the UK, Netherlands and Germany

Building Products

- Insulation: Continue profit recovery programme. Develop improved insulation systems and actively exchange product and process know-how among our group companies
- Fencing & Security: Grow security fencing and perimeter protection from current strong base in Germany, Netherlands and the UK; develop further in perimeter security and access control systems
- Daylight & Ventilation: Continue to focus on organic profit improvement and develop further in new areas
- Construction Accessories: Build further on our leading positions in Benelux, Germany, France, Spain and Switzerland and expand to other countries
- New platform: Seek new platforms for growth in an attractive new building product segment

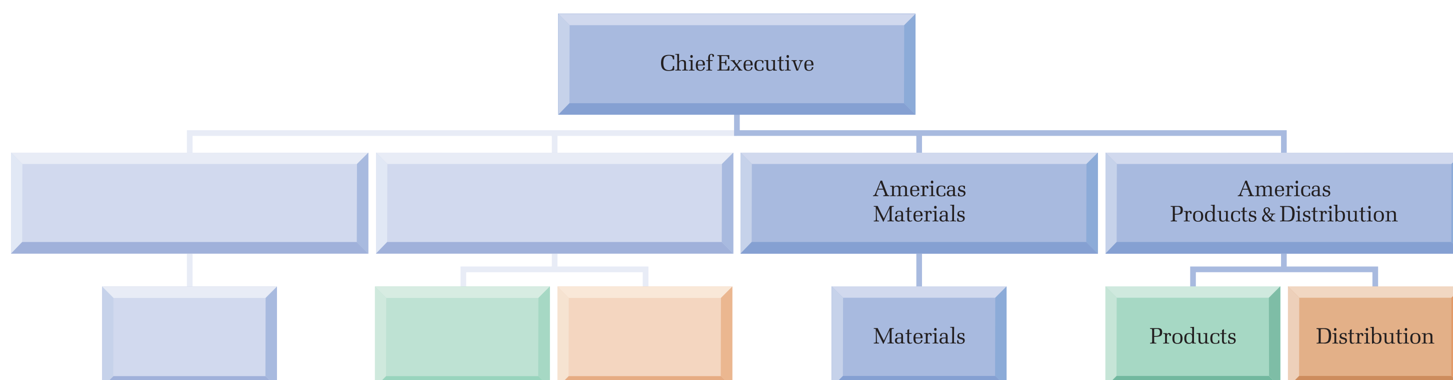
Distribution

- DIY: Continue to grow our successful chains in the Benelux and Portugal via greenfield investments and acquisitions
- Builders Merchants: Expand existing businesses in Austria, France, Germany, Netherlands and Switzerland
- New regions: Develop new regions both in builders merchants and DIY
- Realise purchasing and IT synergies from expanded network

Top: Europe Materials
Gysi, a Jura company, supplied the readymixed concrete to construct a new bridge over the Aare River, part of a new bypass to the northwest of Aarau that also includes a 700 metre long tunnel.

Centre: Europe Products
JET Brakel Aero won the contract to construct the glass roof and facade of the Federal Office of the Environment in Dessau, Germany. The atrium glass roof of 8,000m^2 has a north-south-oriented design that follows the shape of the building and blends directly into the glass facade.

Right: Europe Distribution
Quester, the recently acquired leading Austrian builders merchant, supplies its customers countrywide with a wide range of building materials products.



Materials

€ million	% of Group	**2005**	2004	Change
Sales Revenue	22	**3,165**	2,823	+342
Operating Profit	23	**328**	274	+54
Average Net Assets		**2,805**	2,460	
Operating Profit Margin		**10.4%**	9.7%	

Analysis of change

Exchange Translation	2004 Acquisitions	2005 Acquisitions	Organic
-	+54	+109	+179
-	+6	+8	+40

Products

€ million	% of Group	**2005**	2004	Change
Sales Revenue	19	**2,756**	2,462	+294
Operating Profit	22	**308**	251	+57
Average Net Assets		**1,449**	1,219	
Operating Profit Margin		**11.2%**	10.2%	

Analysis of change

Exchange Translation	2004 Acquisitions	2005 Acquisitions	Organic
+11	+58	+58	+167
+2	+2	-	+53

Distribution

€ million	% of Group	**2005**	2004	Change
Sales Revenue	8	**1,156**	1,014	+142
Operating Profit	6	**80**	63	+17
Average Net Assets		**262**	203	
Operating Profit Margin		**7.0%**	6.2%	

Analysis of change

Exchange Translation	2004 Acquisitions	2005 Acquisitions	Organic
-	+7	+50	+85
-	+1	+3	+13

"The Division performed well in recovering sharply higher energy costs and with generally favourable markets, together with a pick-up in development activity, delivered a 20% increase in operating profit and a welcome improvement in operating margin."

TOM HILL

2005 Overview

Another year of rapidly escalating energy costs created a challenging environment for Americas Materials. Bitumen costs increased for the fourth consecutive year, rising 13% despite a very successful winter-fill programme, which covered 33% of our total bitumen requirements. Energy used at our asphalt plants, consisting of fuel oil, recycled oil and natural gas, had a composite cost increase of 25%. Diesel fuel and gasoline used to power our mobile fleet increased by 37%. Against this difficult backdrop, the Division had significant success in recovering these higher costs with strong price improvements across its operations. As expected, the sharp rise in energy costs in the third quarter absorbed a greater proportion of the pricing benefits than in the first half; nevertheless, the Division delivered good organic growth for the year and a welcome improvement in both operating profit and margin.

Highway markets were generally favourable with increases in Federal and State spending. However, the strong product price increases somewhat constrained the volume of asphalt paving work available in the final quarter, as most roadwork is tied to relatively fixed budgets at State, municipal and local level. The Federal Highway Bill, SAFETEA-LU, was signed by President Bush in August but came too late to impact 2005 activity levels. Residential markets remained strong, buoyed by low interest rates, while non-residential construction continued to improve.

Total volumes, including acquisition effects, increased 3% in aggregates, 6% in readymixed concrete and 1% in asphalt. Overall prices increased 7% in aggregates, 9% in readymixed concrete and 11% in asphalt, reflecting the successful effort to recover higher energy costs. However, the higher prices, combined with cement shortages in some western markets late in the year, hampered heritage demand, with flat volumes in aggregates and readymixed concrete and a 3% decline in asphalt.

Development activity was brisk with 20 transactions closed and combined investment of €416 million, a welcome pick-up from the relatively subdued 2004 level of €160 million. We entered new

Working nights and weekends to have the least impact on traffic, the New Jersey Construction Division successfully rehabilitated the south tube of the Lincoln Tunnel between New Jersey and Manhattan.

markets in Minnesota with the acquisition of Southern Minnesota Construction, and in Kentucky and Virginia with the acquisition of Mountain Companies and 50% of Mountain's heavy construction affiliate, Bizzack. These deals cost a combined €344 million. We also completed 17 other bolt-on transactions across our operations.

New England

New Hampshire and Vermont enjoyed better trading in 2005 in improving markets. These gains were partially offset by declines in Maine and Connecticut where volumes were stable, but price

Randy Lake (right), President Mid-Atlantic and Randy Good (left), GM/VP Pennsy, standing on the platform scale, discussing the "quick load" fine grind load out system at the recently opened Hummelstown, Pennsylvania facility

Divisional profile

The Americas Materials Division operates in 32 states in the United States, organised into four regions. CRH is the fourth largest aggregates producer in the United States, with leading market positions throughout its operations underpinned by well-located long-term reserves. CRH is the number one asphalt producer, producing 37 million tonnes of asphalt at 326 locations. Readymixed concrete operations are in the top 10 in the United States, spread throughout the West and in Pennsylvania, Connecticut and New York in the Northeast. The Division employs 14,500 people at over 730 locations.

Activities	Annualised production volumes	Market leadership positions
Aggregates *United States*	146.8m tonnes	No. 4 national producer
Asphalt *United States*	37.3m tonnes	No. 1 national producer
Readymixed concrete *United States*	6.5m cubic metres	Top 10 in the United States

increases did not fully recover sharply higher input costs. Massachusetts performed well with a solid highway programme partially offset by higher energy costs. In mid-December, we acquired Blue Rock Industries, an integrated aggregates, asphalt and construction business, with valuable reserves near Portland, Maine. This transaction improves the vertical integration of our existing operations and provides greater exposure to the private and commercial sectors in the Portland area.

New York/New Jersey

Our New York/New Jersey businesses saw improved results compared with 2004 as the Gallo acquisition was integrated with heritage operations in the New York metro area. Significant price increases for all products, however, did not fully offset the higher energy costs. We are addressing capacity constraints at a number of our quarries in the area with several large capital projects scheduled for completion over the next few years. In Upstate New York, our Albany operations increased profits in good markets, while Rochester results declined once again as the market continued to contract with many large local employers continuing to scale back their activities. In July, we added to our concrete operations with the purchase of bolt-on readymixed concrete assets in the greater Albany area.

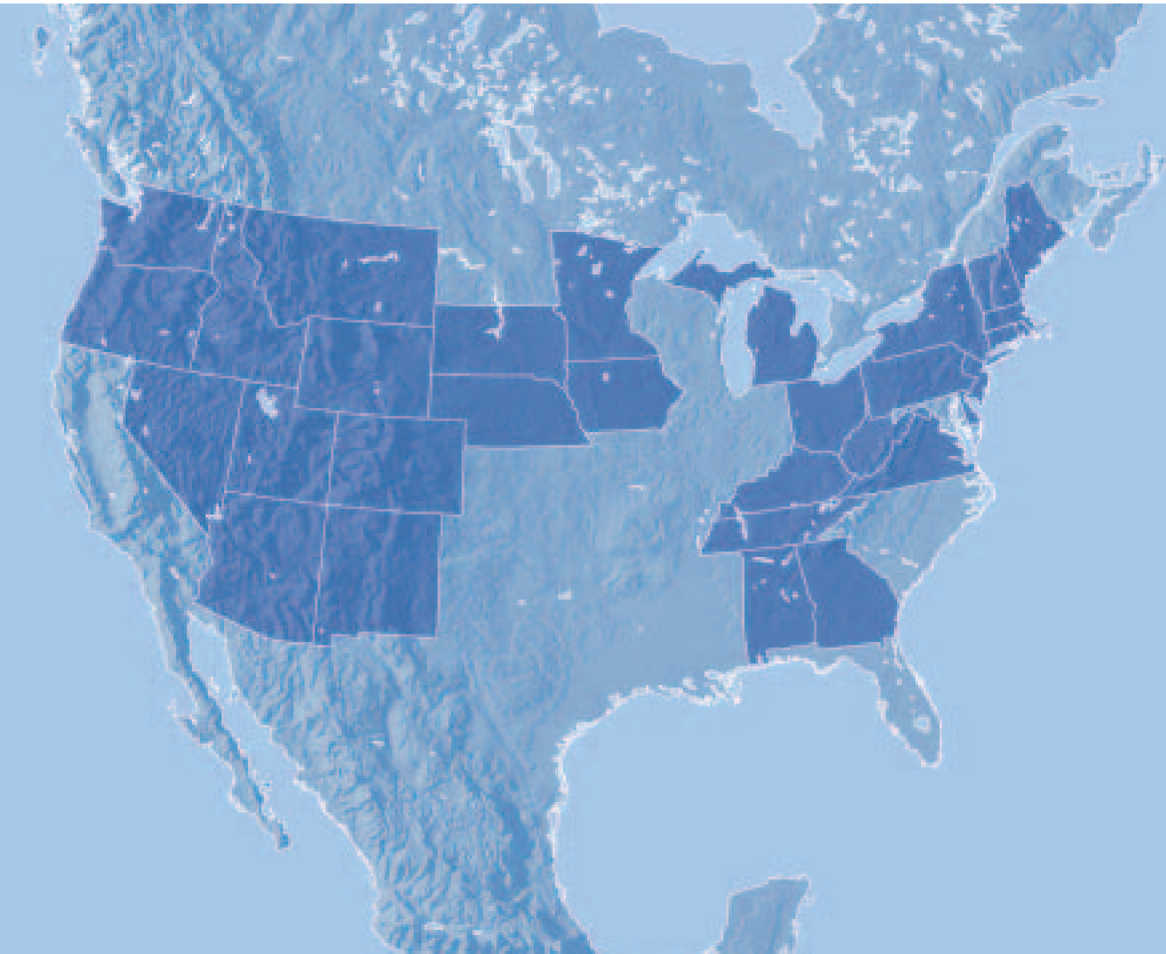
Central

Overall, operating profit increased in all states in this region. West Virginia had a strong year benefiting from good highway markets and success in recovering higher input costs. Michigan saw some improvement from low levels, but our primary highway market remains depressed with both state and private markets continuing to deteriorate. Ohio benefited from steadier markets and the integration of recent acquisitions while Pennsylvania and Delaware improved due to management action in generating cost efficiencies. Our investment in bitumen storage paid off, as significant cost increases during the paving season were mitigated by our winter-fill programme.

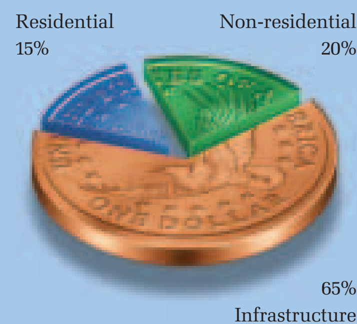
It was an active year on the development front. While the most significant transactions were the purchase of Mountain Companies in Kentucky and West Virginia and the acquisition of a 50% stake in Bizzack, Mountain's heavy construction affiliate, we completed five bolt-on acquisitions in Ohio, expanding our readymixed concrete, aggregates and asphalt operations in what is the Division's largest individual state ranked by turnover.

West

Our operations in the West had an outstanding year. Strong local economies and exposure to the housing market, particularly through readymixed concrete, combined to deliver improved results and an outstanding year. Cement shortages hampered our readymixed concrete operations in some western markets, especially in the second half; however, the profit impact was limited. Once again, Utah and Idaho saw significant profit gains as our operations benefited from buoyant markets for all products. In Washington, results improved despite increasing competition. Solid progress was made in Wyoming, Montana, South Dakota and Colorado, and our small New Mexico operations continued to improve. A total of five bolt-on acquisitions during the year strengthened our existing activities in Utah, Idaho, Oregon,



Product end-use



Wyoming and New Mexico.

The acquisition during the year of Southern Minnesota Construction, the leading aggregates and asphalt supplier with extensive reserves in the south-central region of the state, represented a superb geographic fit with our existing Iowa business and a significant expansion into a new state. Our heritage Iowa operations had another good year with profits increasing in generally buoyant markets. Five smaller transactions, serving markets in northwest Iowa and southern Minnesota were also completed during 2005.

Outlook 2006

The re-authorisation of the Federal Highway funding programme, SAFETEA-LU, and improving State finances should lead to strengthening highway markets in 2006. The housing market, which has performed strongly in recent years, is forecast to soften slightly in 2006, but this should be more than offset by a continued recovery in non-residential building markets, and together these factors should lead to moderate volume growth. Our pricing strategy will continue to focus on the recovery of higher input costs. Combined with management's sustained focus on operating efficiency, and with benefits from 2005 development activity, we look forward to another year of progress in 2006.

Tilcon Connecticut's Plainville Quarry, covering 186 acres together with additional yard and plant areas, has been operating since 1923. Tilcon is mining five 60 ft. benches and is processing approximately 1.4 million tonnes of trap rock annually.

Development strategy

Improve on our excellent environmental and safety records. Leverage our existing strong reserve positions near major metropolitan areas by investing in additional reserves, new capacity and downstream activities. Look for new growth regions in the Americas. Continue strategy of bolt-on acquisitions to existing strong market positions.

New England

- Further vertical integration of operations in New Hampshire, Maine and Vermont
- Expand our readymixed concrete operations

New York/New Jersey

- Expand our New Jersey businesses through bolt-on acquisitions
- Improve our bitumen winter-fill capacity
- Invest in existing large aggregates facilities to both increase capacity and reduce costs

Central

- Continue vertical integration of our operations in Michigan, Ohio and West Virginia through selective acquisitions
- Seek add-on acquisitions and greenfield opportunities to augment our strong positions in Pennsylvania and Delaware
- Continue to develop our new platform in Kentucky and Virginia

West

- Continue to consolidate our vertically integrated positions in the mountain regions with selective add-on acquisitions
- Develop further opportunities in the Northwest, Iowa and our new platform in Minnesota

"Management initiatives, strengthening markets, together with good contributions from acquisitions and new facilities combined to yield record sales and profits for each of the Division's North American groups while our South American operations all performed well and ahead of expectations."

JOE MCCULLOUGH

2005 Overview

Despite the challenge of rising input costs, particularly cement, energy and petroleum-based materials, all of our product groups reported healthy increases in sales and operating profit. Internal initiatives to manage costs and prices, combined with strong residential activity and a continuing recovery in the non-residential building sector, contributed to growth and improved performance. Overall, the Division experienced a 13% increase in sales and a 24% improvement in operating profits.

Architectural Products

The Architectural Products group (APG), with over 200 locations in 38 states and two Canadian provinces, is the leading North American producer of concrete products for three large and growing markets; commercial masonry, professional landscaping and consumer DIY. The group is also a regional leader in clay brick. Packaged decorative stone, mulches and soils, Sakrete® dry-mixes and bulk lightweight aggregates are important product lines that complement the group's core businesses.

Despite higher energy, transport and raw material prices, and some regional softness in RMI sector demand, APG achieved good operational improvements along with targeted price increases which, with the benefit of acquisition contributions, delivered double-digit percentage growth in sales and profit for the year. The West and South regions performed particularly well and clay brick producer Glen-Gery also advanced, although the impact of higher second-half natural gas costs somewhat eroded its strong first-half gains.

APG added substantial new plant capacity in 2005 to support geographic expansion of its retail customer base and its Belgard® professional hardscapes business. Five new paver plants, one block and grinding facility, two stone bagging operations and a concrete-mix plant were completed in 2005, representing an investment of over €68 million. Similar capital developments will continue in 2006 to sustain internal growth.

APG completed six acquisitions increasing its presence in all three core markets. The acquisition of P&L Bark in January, Earth Pak in September and Jolly Gardener in October added €125 million in sales and 13 facilities in eight east coast states, to expand APG's position with major homecenter chains and independent retailers in bagged soil and mulch. In February, APG acquired the paver operations of Central Precast in Ottawa, Canada, adding much-needed capacity to Montreal-based Permacon and reinforcing its position in the Ontario and Québec professional hardscapes markets. Masonry producer S.T. Wooten of North Carolina was acquired as a bolt-on in September while lightweight aggregate manufacturer Arkalite, with a single plant in Arkansas, was added to APG's Big River Industries in November.

Precast

The Precast group is a leading manufacturer of precast, pre-stressed and polymer concrete products and concrete pipe in North America. With the addition in 2005 of Vanguard Concrete Products in Topeka, Kansas,

The Ryland Condominium used 190,000 bricks from Glen-Gery Brick's York plant to lend a warm and neighbourly atmosphere to a high-density residential community in Columbia, MD.

Packaged Systems in Charleston, West Virginia and Contractors/ Engineers Supply (CES) in Phoenix, Arizona, we now operate out of 70 locations in 25 states and the province of Québec.

Continued strength of the residential construction sector, together with recovery in non-residential and modest improvement in telecommunications construction, resulted in record volumes from our legacy operations. The combination of cost control, product mix and a disciplined pricing policy resulted in good margin improvement and record profits for the Precast group. Backlog has increased both in volume and margin compared with the same time last year, setting the foundation for continued progress in 2006.

Development picked up in 2005 with the addition of the three new bolt-on acquisitions mentioned above. All have met or exceeded our expectations in 2005 and we are pleased with the management teams and the excellent integration that has been achieved in the short time that they have been with our group. In addition, we pushed forward our internal development programme with our acquisition of a new site in Madera, California on which we will consolidate a number of regional operations, to service the fast-growing California Central Valley. We have completed the closure of our parking garage plant in Hatfield, Pennsylvania, which will reduce costs and add focus to our reorganised Building Systems Group in the Northeast.

Glass

The Glass group manufactures customised architectural glass products for commercial and residential construction. With 48 locations in 22 states and four Canadian provinces, the group is the largest North American supplier of architectural glass products and services for commercial construction.

The group achieved another year of strong organic sales and profit growth. Robust demand for high-performance, solar-control insulating glass products provided the group with further gains in market share in this higher-margin segment. Our hurricane-resistant product, StormGlass®, also achieved record sales following the adoption of more demanding building codes along the Atlantic and Gulf coasts.

In June, the group extended its position in engineered aluminium fenestration products with the acquisition of Fulton Windows; a leading manufacturer of architectural-rated, operable windows and engineered curtain walls located in Toronto, Ontario. Fulton's broad product portfolio affords the group critical mass in several key, value-added categories and provides a solid foundation for future bolt-on acquisitions. A new division, the Engineered Products group was created to benefit from operating scale. The new division consolidates Glass group businesses in architectural-rated operable windows, engineered curtain walls, commercial and retail storefronts and doors, and all-glass door hardware.

In September, the group completed construction of a greenfield plant in Missouri to provide dedicated capacity for larger, complex architectural curtain-wall projects that incorporate high-performance solar-control glass. This specialist plant has achieved early success and has a rapidly growing commercial order book.

Divisional profile

The Americas Products & Distribution Division operates primarily in the United States and has a significant presence in Canada. Its product groups - Architectural Products, Precast, Glass and Distribution - all have leading positions in national and regional markets. The Division is a leading producer of clay tile products in Argentina and operates glass fabrication businesses in Argentina and Chile. Employees total 19,300 at over 450 locations.

Activities	Annualised production volumes*	Market leadership positions
Precast concrete products *Canada, United States*	2.7m tonnes	No. 1 in United States
Prepackaged concrete mixes *United States*	2.0m tonnes	No. 2 in United States
Concrete masonry, patio products, pavers, rooftiles *Canada, United States*	10.8m tonnes	No. 1 in masonry, paving and patio in United States No. 1 paving and patio in Canada
Clay bricks, pavers and tiles *Argentina, United States*	1.7m tonnes	No. 1 brick producer in northeast United States No. 1 rooftiles in Argentina No. 3 wall and floor tiles in Argentina
Glass fabrication *Argentina, Canada, Chile, United States*	14.5m square metres	No. 1 architectural glass fabricator in United States
Roofing/siding **Interior products** *United States*	124 branches 27 branches	No. 3 Roofing/siding distributor No. 6 Interior products distributor

** CRH share*

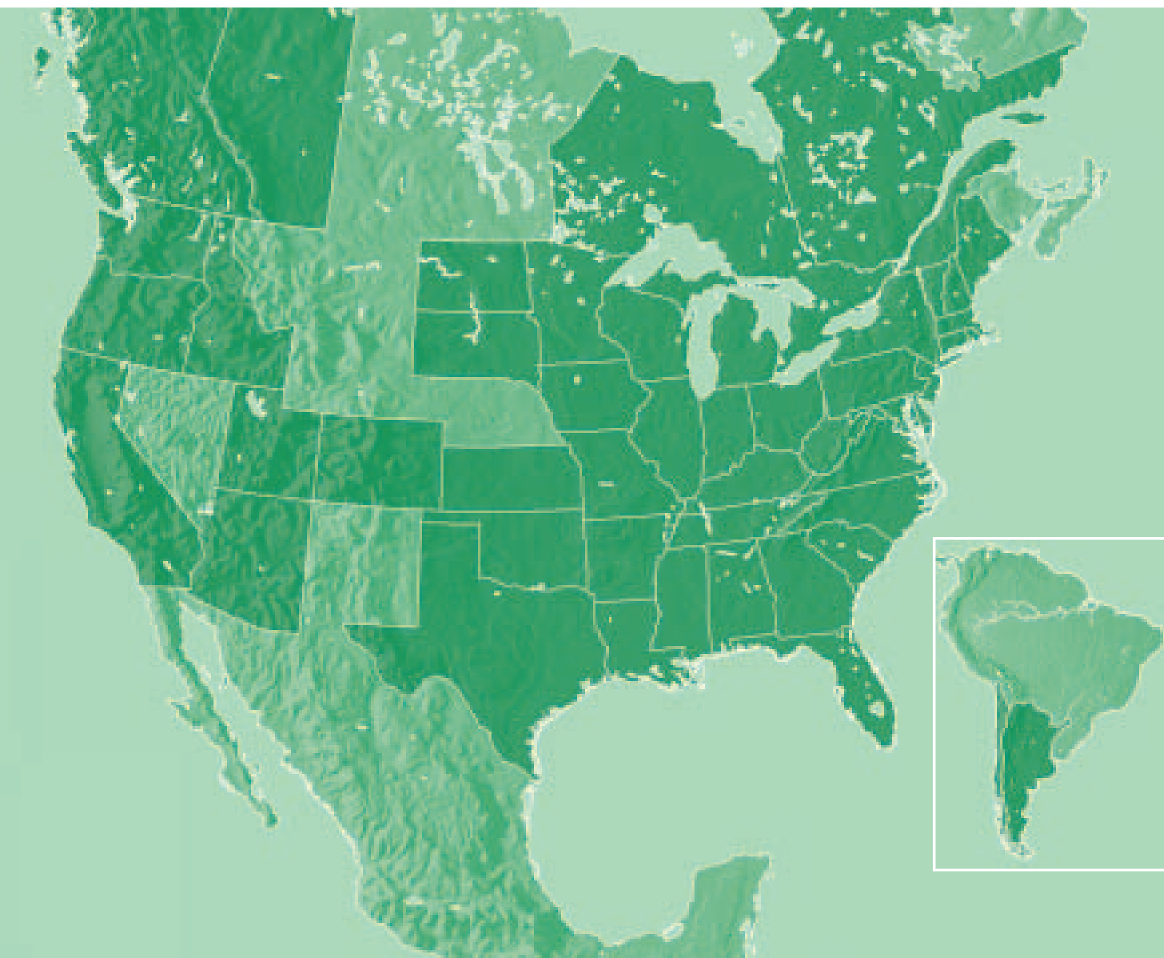
Distribution

Oldcastle Distribution, trading as Allied Building Products, has 151 branches in 26 states, primarily in the metropolitan areas of both United States coasts and in the northern tier states. Oldcastle Distribution now comprises two divisions which supply specialist contractors. Roofing/siding is the group's traditional business and it is one of the top three distributors in this segment in the United States. In 2005, Allied organised its fast-growing interior products operations (gypsum wallboard, steel studs and acoustical ceiling systems) into a separate division. This new division is already the sixth largest Interior products distributor in the United States. Key to Oldcastle Distribution's success are its well-trained and highly motivated employees, working in a strategically focused organisational structure, with superior IT.

Demand is largely influenced by replacement with many roofing/siding products having an average life span of roughly 20 years. Similarly, replacement/refurbishment is also the main end-market for interior products in commercial construction while new residential construction is a major market for gypsum wallboard.

As in the latter months of 2004, our Distribution operations benefited substantially in the first

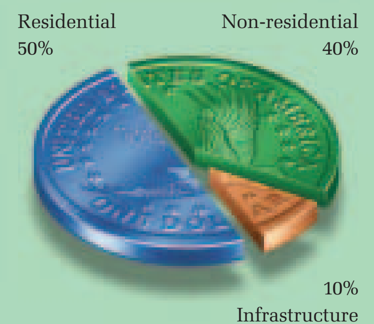
The William J. Clinton Presidential Center, in Little Rock, Arkansas features custom-engineered structural glass walls, fully-integrated glass entrance systems, laminated, heat-strengthened and decorative glass, custom-manufactured by Oldcastle Glass Perrysburg, Ohio.



Product end-use

Residential 50%

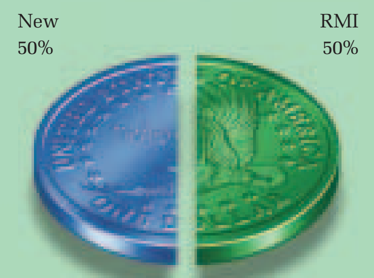
Non-residential 40%



10% Infrastructure

New 50%

RMI 50%



half of 2005 from significant repair work in Florida in the aftermath of the devastating 2004 hurricanes. This additional Florida demand moderated through the second half of 2005 and the late-2004 gains arising from steep price increases for many of the products handled by these businesses were not repeated. Despite the tougher second-half comparatives, our Distribution operations delivered further organic growth helped by robust markets in Southern California and Hawaii and benefited from good acquisition contributions.

The group invested a total of €73 million on the completion of eight transactions during the year. Five of these were in the fast-growing interior products segment with the remaining three in the roofing and siding segment.

Full-year operating profit for this Division advanced strongly with a further healthy improvement in overall operating margin.

South America

With increased production capacity and good construction activity, our Argentine clay products business had a strong performance in its local market which was complemented by export sales. The Argentine glass business performed ahead of expectations benefiting from the recovery of commercial building and a growing contribution from exports. The Chilean glass operation continued to refocus its business towards architectural value-added products, and achieved another improved performance in competitive markets.

All the operations in the region have benefited from a continuing emphasis on strict cost control and customer-focused product/service initiatives.

Outlook for 2006

While global energy prices remain a concern, the United States economy continues to expand. Although economic strength is broad-based, there are as always regional variations with the Mid-West weakest overall, while some modest benefits may be forthcoming in 2006 from Gulf Coast reconstruction.

Although some softening in the current strong level of United States housing construction is generally forecast for 2006, good employment levels, strong demographics and moderate interest rates continue to support underlying demand in this sector. Non-residential construction, which in real terms is still well below its peak of the early 2000's, is expected to continue its recovery in 2006.

We also expect our Canadian and South American operations to see further progress in 2006.

We look to a further operating profit advance for our Products operations and, although its margins may ease from current high levels, our Distribution business should also deliver improved profits in 2006.

Development strategy

Expand current strong positions in all product groups through acquisition and appropriate greenfield development. Use scale, best practices and product/process innovation to create competitive advantage and to improve margins in the face of rising input costs.

Architectural Products

- Develop and grow strong regional positions in masonry and related products
- Grow retail platform with a complementary array of garden, patio products and building products and anticipate customers' expansion with greenfield investments
- Increase penetration of professional hardscape market through the Belgard® product line and segmental retaining walls

Precast

- In-fill geographic coverage through acquisition or greenfield
- Pursue new product and new region opportunities

Glass

- Edge expansion through new architectural products, services and regions
- Manage industry trends through technology upgrades, cost control, organic growth and better customer service

Distribution

- Grow core businesses by acquisition and greenfield investment in major metropolitan areas
- Use organisational initiatives and best-in-class IT to grow margins

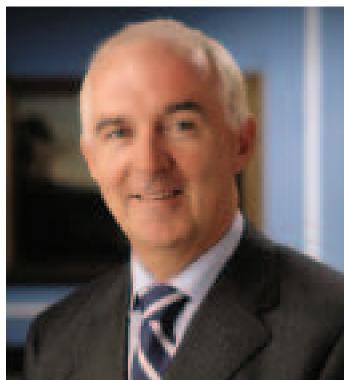
South America

- Use upgraded manufacturing capabilities for cost efficiency and product development
- Continue to expand export business
- Expand with selective acquisitions as regional economies improve

Top: Americas Materials Des Moines Asphalt & Paving Company's $11 million mill and overlay project at Des Moines International Airport consisted of milling the existing surface of Runway 13-31 and its replacement with 5 to 14 inches of hot mix asphalt, new asphalt shoulders, and renovation of the existing runway lighting system.

Centre: Americas Products A precast concrete water meter vault being set in by Utility Vault, a division of Oldcastle Precast, in Kent, Washington, USA. The vault is part of a domestic water system for a local school district.

Right: Americas Distribution Over 80% of homes in the United States have asphalt shingle roofs. Allied Building Products (Oldcastle Distribution) is one of the top national distributors of asphalt shingles in the United States.



"2005 saw continuing strong cash generation, further significant dividend growth and an active development programme. With comfortable interest cover and a well-balanced financial and operational structure, CRH remains ideally positioned to take advantage of value-enhancing development opportunities across its businesses."

MYLES LEE

International Financial Reporting Standards

The Group's 2005 financial statements are the first to be prepared in accordance with International Financial Reporting Standards (IFRS). In previous years, CRH's financial statements were prepared in accordance with Generally Accepted Accounting Practice in the Republic of Ireland (Irish GAAP). All 2004 figures presented for comparative purposes in the financial statements have been restated in accordance with IFRS and, in order to identify the impact of the transition to IFRS on CRH's previously reported financial performance and position, reconciliations of selected 2004 financial information previously reported under Irish GAAP to the restated information under IFRS are given in note 34 to the financial statements.

In accordance with IFRS, the Group financial statements reflect the proportionate consolidation of joint ventures in the Group's Income Statement, Cash Flow Statement and Balance Sheet while the Group's share of profit after tax of associates is included as a single line item in arriving at Group profit before tax.

Results

CRH performed strongly in 2005 delivering growth in reported sales of 13.3%, in operating profit of 14.1% and in pre-tax profit of 15.8%. The key components of 2005 performance are analysed in *Table 1*.

Exchange translation effects

After three years of decline in the average US Dollar exchange rate versus the euro, the average US$/euro rate of 1.2438 for 2005 was little changed compared with 2004 (1.2439). Average exchange rates for the Group's other major operating currencies also showed little change with the exception of the Polish Zloty and the Canadian Dollar, which were respectively 12% and 7% stronger versus the euro compared with 2004. As a result, after three consecutive years of significant adverse translation effects, averaging 6% annually, on reported profit before tax, the Group benefited in 2005 from a modest positive translation impact of €4 million. The average and year-end exchange rates used in the preparation of our financial statements are included under Accounting Policies on page 62 of this Report.

Incremental impact of acquisitions

The incremental 2005 impact of acquisitions completed during 2004 amounted to €536 million of sales and €42 million of operating profit. Approximately 80% of these amounts was generated in Europe reflecting the fact that 2004 acquisition spend predominantly occurred in our European operations. Secil, the Portuguese cement, concrete products and aggregates producer, in which the Europe Materials Division acquired a 49% stake early in June 2004, delivered a satisfactory incremental five-month contribution in 2005. The Europe Products & Distribution Division benefited from good incremental contributions from 2004 acquisitions in its Concrete Products operations. Although its Distribution activities also enjoyed a strong sales boost due to the purchase of NCD Builders Merchants in December 2004, the incremental operating profit was impacted somewhat by post-acquisition integration costs related to this transaction. 2004 acquisitions in the Americas contributed an incremental €119 million in sales and €9 million in operating profit.

With approximately €1.2 billion of 2005's €1.45 billion development activity occurring in the second half of the year, the incremental impact in 2005 from this acquisition activity was a relatively modest €448 million in sales and €18 million in operating profit, fairly equally split between our businesses in Europe and the Americas. The major Mountain Companies and Bizzack transactions by our Americas Materials Division, which were completed at end-October, came late in the season and had only modest impact on the 2005 outturn. The Europe Materials Division's 26.3% equity stake in Spanish cement producer Corporación Uniland was completed just prior to year-end and, as a result, Uniland did not contribute to the Group's share of associates' profits in 2005.

With annualised sales of some €1.5 billion from 2005 acquisitions plus a share of after tax profits from the equity stake in Uniland, CRH's 2006 results are expected to reflect a significant incremental impact from 2005 development activity.

Ongoing operations

2005 saw a continuation of the strong overall organic growth evident in the Group's 2004 performance with a €106 million improvement in ongoing operating profit, broadly split 60/40 between the first and second halves of the year.

After a weak first half which saw underlying operating profit decline by €4 million, mainly due to a combination of poor weather and very tough prior year comparatives in Poland, the Europe Materials Division enjoyed much more positive second-half trading to deliver a €33 million improvement in underlying operating profit for the year as a whole. Our European Products activities faced tough conditions throughout 2005 with a combination of higher input costs, subdued markets and a €7 million increase in re-organisation costs resulting in a €30 million decline in underlying operating profit. Against a backdrop of weak consumer spending patterns in Benelux DIY markets, our European Distribution business did well in limiting the decline in underlying operating profit to just €3 million. In Europe overall, operating profit from ongoing operations was the same as in 2004.

The Americas Materials Division delivered a robust €40 million increase in full-year underlying operating profit, although, as expected, the sharp rise in energy costs in the third quarter absorbed a greater proportion of the benefits of strong price increases than in the first half of the year. Our Americas Products businesses also faced somewhat slower underlying profit growth in the second half as RMI demand

Table 1 Key Components of 2005 Performance

€ million	Sales Revenue	Operating profit	Profit on disposals	Trading profit	Finance costs	Associates' PAT	Pre-tax profit
2004 as reported	**12,755**	**1,220**	**11**	**1,231**	**(146)**	**19**	**1,104**
Exchange effects	50	6	-	6	(2)	-	4
2004 at 2005 exchange rates	**12,805**	**1,226**	**11**	**1,237**	**(148)**	**19**	**1,108**
Incremental impact in 2005 of:							
- 2004 acquisitions	536	42	-	42	(12)	-	30
- 2005 acquisitions	448	18	-	18	(14)	-	4
Ongoing operations	660	106	9	115	15	7	137
2005 as reported	**14,449**	**1,392**	**20**	**1,412**	**(159)**	**26**	**1,279**
% change as reported	+13.3%	+14.1%		+14.7%			+15.8%
% change at constant 2005 rates	+12.8%	+13.5%		+14.1%			+15.4%

moderated but nevertheless delivered a €53 million underlying operating profit increase for 2005 as a whole. Distribution activities in the Americas performed strongly throughout the year generating a €13 million advance in underlying operating profit. Combined, our operations in the Americas achieved a substantial €106 million, or 18%, increase in underlying operating profit in 2005.

Finance costs, Tax, Earnings per Share, Dividend

With the bulk of 2005's development spend falling in the second half of the year, the combined incremental costs of financing 2004 and 2005 acquisition activity amounted to just €26 million. Although our free cash flow remained strong, rising interest rates on the floating rate element of our underlying net debt, resulted in a more modest €15 million reduction in finance costs from ongoing operations than in the more stable interest rate environments of recent years. As a result, after a small negative translation effect of €2 million, 2005 net finance costs of €159 million showed an increase on 2004 (€146 million). IFRS requires the inclusion in net finance costs of certain items including, inter alia, the expected return on pension scheme assets net of interest on pension scheme liabilities; the unwinding of discounts on provisions and deferred and contingent acquisition consideration; and movements in the fair values of designated derivatives to the extent that they are accounted for through the income statement (including any associated ineffectiveness). In 2005, these items resulted in a combined net expense of €5.3 million (2004 : €6.6 million) which is included in net finance costs.

Reported 2005 profit before tax of €1,279 million includes the Group's share of associates' after tax profits of €26 million and €1,253 million of profit before tax from subsidiaries and joint ventures. The tax charge of €273 million in respect of subsidiaries and joint ventures gives an effective tax rate of 21.8% compared with 21.4% in 2004.

Earnings per share grew by 14.1%. Cash earnings per share was ahead by 11.7%. The total dividend for the year increased by 18.2% to 39.0c (2004 : 33.0c) and was covered 4.8 times (2004 : 5.0 times).

The strong growth in earnings and cash earnings per share and net dividend over a five-year and ten-year period are highlighted in *Table 2*.

Financial performance indicators

Some key financial performance indicators which, taken together, are a measure of performance and financial strength are set out in *Table 3*.

Despite higher finance costs, the improved trading resulted in interest cover measures similar to last year's levels. The Group regards ratios based on interest cover as more meaningful measures of financial capacity than the ratio of debt to total equity as they match the earnings and cash generated by a business to the underlying funding costs.

Year-end net debt of €3,448 million was €690 million higher than end-2004; however, with higher total equity and a higher market capitalisation, both the debt to total equity and debt to market capitalisation ratios showed little change.

Table 2 Compound Average Growth Rates

	5-year	10-year
Sales Revenue*	10%	19%
Earnings per share *	9%	16%
Cash earnings per share *	7%	17%
Net dividend	13%	14%

** Due to the implementation of IFRS, these percentage increases have been calculated by combining earlier percentage increases computed under Irish GAAP with the relevant 2005 percentage increases computed under IFRS.*

Table 3 Key Financial Performance Indicators

	2005	2004
Interest cover, excluding joint ventures		
- EBITDA basis (times)	12.7	12.3
- EBIT basis (times)	9.0	8.6
Net debt as a percentage of total equity (%)	55.3	55.4
Net debt as a percentage of year-end market capitalisation (%)	25.9	26.3
Effective tax rate (%)*	21.8	21.4
Return on average capital employed (%)	14.5	14.6
Return on average equity (%)	17.9	18.5

EBITDA - earnings before finance costs, tax, depreciation and intangible asset amortisation

EBIT - earnings before interest and tax (trading profit)

** Effective tax rate excludes associates*

Overall Group return on average capital employed remained stable in 2005.

While strong acquisition spend late in the year made greater use of the Group's significant debt capacity, due to its timing, the impact on 2005 earnings was modest relative to the scale of development activity. As a result, the Group's return on equity declined slightly in 2005.

Cash generation

While spending a total of €1.95 billion on acquisitions, investments and capital projects, the strong cash generation characteristics of the Group limited the increase in net debt to just €0.7 billion, despite an adverse translation adjustment of €0.2 billion. *Table 4* summarises CRH's cash flows for 2005 and 2004.

The increased charges for depreciation and amortisation of intangible assets mainly reflect the impact of acquisitions completed in 2004 and 2005.

Tax payments were higher than in 2004 reflecting both improved Group profitability and the

Table 4 Cash Flow

€ million	2005	2004
Inflows		
Profit before tax	1,279	1,104
Depreciation	556	516
Amortisation of intangibles	9	4
	1,844	1,624
Outflows		
Tax paid	(260)	(205)
Dividends	(185)	(156)
Capital expenditure	(652)	(551)
Working capital	(119)	(78)
Other	(19)	(29)
	(1,235)	(1,019)
Operating cash flow	609	605
Acquisitions and investments	(1,298)	(1,019)
Proceeds from disposal of fixed assets	103	102
Share issues (net of expenses)	61	73
Translation adjustment	(165)	36
Increase in net debt	(690)	(203)
Opening net debt	(2,758)	(2,555)
Closing net debt	(3,448)	(2,758)

expiration in 2005 of certain United States tax incentives. These incentives, introduced in September 2001 to promote capital investment in a weaker United States economy, allowed for accelerated tax depreciation on purchases of plant and equipment favourably impacting tax payments in 2002, 2003 and 2004. The Group's policy of providing for deferred tax, however, has ensured that reported annual tax charges have not been distorted by the cash flow benefits of these incentives.

The increase in dividend cost reflects the 17% increase in both final 2004 and interim 2005 dividends which were paid during the course of 2005.

Capital expenditure of €652 million represented 4.5% of Group revenue (2004 : 4.3%) and amounted to 1.17 times depreciation (2004 : 1.07 times). Higher energy costs, with a resultant improvement in the returns generated on energy-saving investments, have led to an increase in such projects across the Group. In addition, we continued to invest in a number of larger development projects particularly in the United States to meet growing customer demand. Of the total capital spend, 48% was invested in Europe with 52% in the Americas.

The working capital outflow for the year amounted to €119 million.

The caption denoted "Other" principally reflects the elimination of non-cash income items - such as share of associates' profits and profit on disposals of fixed assets - and non-cash expense items - such as the IFRS 2 expense for employee share options - which are included in arriving at profit before tax.

The 2005 cash outflow relating to acquisitions and investments includes deferred acquisition consideration paid during 2005 in respect of acquisitions in previous years and excludes deferred consideration relating to 2005 acquisitions payable in future years.

Proceeds from share issues reflect the take-up of shares in lieu of dividends under the Company's scrip dividend scheme (€21 million) augmented by issues under Group share option and share participation schemes (€40 million).

Exchange rate movements during 2005 increased the euro amount of net foreign currency debt by €165 million principally due to the 13% devaluation of the euro against the US Dollar from 1.3621 at end-2004 to 1.1797 at end-2005. The favourable translation adjustment in 2004 reflected an 8% positive revaluation of the euro versus the US Dollar from 1.2630 at end-2003 to 1.3621 at end-2004.

Year-end net debt of €3,448 million (2004 : €2,758 million) includes €271 million (2004 : €257 million) in respect of the Group's proportionate share of net debt in joint ventures, principally Secil in Portugal and Cementbouw in the Netherlands. Following transition to IFRS, net debt comprises amounts included in the balance sheet for derivative financial instruments in addition to interest-bearing loans and borrowings net of liquid investments and cash and cash equivalents.

Employee benefits

In compliance with IFRS, the net assets and actuarial liabilities (excluding related deferred tax) of the defined benefit pension schemes operated by various Group companies, computed in accordance with IAS 19, have been included on the face of the balance sheet under retirement benefit obligations. At end-2005, retirement benefit obligations amounted to €451 million (2004 : €350 million); after deducting deferred tax, the net liability amounted to €324 million (2004 : €242 million). The increase in the net liability during the course of 2005 reflects a reduction of 0.5% in the discount rates used to calculate the liabilities of defined benefit pension schemes in the Eurozone and the UK and changes in mortality tables in a number of schemes partly offset by an improved investment performance. The net liability represented 2.4% of CRH's year-end 2005 market capitalisation.

Share price

The Company's Ordinary Shares traded in the range €18.87 to €24.85 during 2005. The year-end share price was €24.85 (2004 : €19.70). Shareholders recorded a gross return of +28% (dividends and capital appreciation) during 2005 following returns of +23% in 2004 and +41% in 2003.

CRH is one of six building materials companies included in the FTSE Eurotop 300, a market-capitalisation weighted index of Europe's largest 300 companies. At year-end 2005, CRH's market capitalisation of €13.3 billion (2004 : €10.5 billion) placed it among the top five building materials companies worldwide.

Financial risk management

The Board of Directors sets the treasury policies and objectives of the Group, which include controls over the procedures used to manage financial market risks. These are set out in detail in note 23 to the financial statements.

Interest rate and debt/liquidity management

At the end of 2005, 46% of the Group's net debt was at interest rates which were fixed for an average period of 3.7 years. The euro accounted for approximately 50% of net debt at the end of 2005 and 46% of the euro component of net debt was at fixed rates. The US Dollar accounted for approximately 35% of net debt at the end of 2005 and 48% of the Dollar component of net debt was at fixed rates.

The Group finished the year in a very strong financial position with 97% of the Group's gross debt drawn under committed term facilities, 91% of which mature after more than one year. In addition, at year-end, the Group held €280 million of undrawn committed facilities, which had an average maturity of 2.3 years.

At year-end 2005, 91% of the Group's cash and cash equivalents and liquid investments had a maturity of six months or less.

Based on the level and composition of year-end 2005 net debt, an increase in average interest rates of one per cent per annum would result in a decrease in future earnings, before tax, of €18.5 million per annum (2004 : €14.1 million).

Currency management

The bulk of the Group's net worth is denominated in the world's two largest currencies - the US Dollar and the euro - which accounted for 50% and 36% respectively of the Group's net worth at end-2005.

2005 saw a positive €413 million currency translation effect on foreign currency net worth mainly arising on US Dollar net assets. This positive effect is stated net of a €165 million adverse translation impact on net foreign currency debt.

A strengthening of the euro by 10% against all the other currencies the Group operates in would, when reported in euro, reduce the Group's year-end 2005 net worth by an estimated €306 million and year-end 2005 net debt by €131 million.

Insurance

Group headquarters advises management on different aspects of risk and monitors overall safety and loss prevention performance; operational management is responsible for the day-to-day management of business risks. Insurance cover is held for all significant insurable risks and against major catastrophe. For any such events, the Group generally bears an initial cost before external cover begins.

Legal proceedings

Group companies are parties to various legal proceedings, including some in which claims for damages have been asserted against the companies. The final outcome of all the legal proceedings to which Group companies are party cannot be accurately forecast. However, having taken appropriate advice, we believe that the aggregate outcome of such proceedings will not have a material effect on the Group's financial condition, results of operations or liquidity.

Summary

CRH has again performed robustly in 2005 delivering good full-year organic profit improvement, continuing strong cash generation, further significant dividend growth and an active development programme across its operations. With comfortable interest cover and a well-balanced financial and operational structure, CRH remains ideally positioned to take advantage of value-enhancing development opportunities across its businesses.

Corporate Social Responsibility

CRH's strategic vision is to be a responsible international leader in building materials delivering superior performance and growth.

Our commitment to Corporate Social Responsibility (CSR) provides a guiding framework for all our management responsibilities and we focus particularly on striving for industry best practice standards in environment, health & safety, and in social performance.

We are fully committed to operating ethically and responsibly in all aspects of our Group operations relating to employees, customers, neighbours and all other stakeholders.

The pages following provide a brief overview of our environmental, health & safety and social performances.

The Staker Parson Companies developed the "Rocks Build Our World" programme in 1997 to educate children about the importance of aggregates and aggregate materials in a fun format. At a large family event in Salt Lake City, Utah, a sand box was set up stocked with construction toys and "buried treasure".

The new fishing pond created for use by the local fishing club as part of the land restoration programme after extraction of clay at Ibstock's Leicester site in the UK.

Permeable pavers from Northfield Block in Chicago, Illinois filter out pollutants while ensuring that a maximum amount of clean rainwater is returned to the earth.

Environment

Policy

Our environmental policy, applied across all of the Group companies, is to:

- Comply, at a minimum, with all applicable environmental legislation and to continually improve our environmental stewardship towards industry best practice
- Ensure that our employees and contractors are aware of their environmental responsibilities
- Optimise our use of energy and resources through efficiency gains and recycling
- Proactively address the challenges of climate change
- Promote environmentally-driven product innovation and new business opportunities
- Be good neighbours in the communities in which we operate

Delivery

Achieving our environmental policy objectives at all our locations is a management imperative; this line responsibility continues right up to CRH Board level.

Daily responsibility for ensuring that the Group's environmental policy is effectively implemented lies with individual location managers. This is supported and monitored at operating company level by a network of Environmental Liaison Officers (ELOs).

The ELOs are charged with ensuring that company environmental policies are properly adhered to, and that site managers are fully aware of their responsibilities in this regard. At each year-end, the ELOs assist the Group Technical Advisor in carrying out a detailed assessment of Group environmental performance, which is reviewed by the CRH Board.

Environmental performance

The recent review again confirmed the required high degree of compliance and good environmental stewardship across all Group companies. There was also solid evidence of continuous improvement in our environmental performance in line with evolving legislation and increasing stakeholder expectations. In 2005, we spent over €45 million on further significant environmental upgrades right across the Group.

Considerable progress was again achieved in process and energy efficiency gains, through recycling and waste reduction across all of our businesses, with direct economic as well as environmental benefits. Environmental training and best practice programmes continued to achieve further operational as well as environmental benefits.

In early 2006, we received permission from the Irish EPA to remediate the unauthorised waste dumped by third parties at our Blessington location near Dublin.

Addressing climate change

CRH is now a core member of the Cement Sustainability Initiative (CSI), and is committed to detailed environmental reporting in accordance with the CSI Charter guidelines. The CSI is a voluntary initiative by 16 of the world's major cement producers: it aims to promote greater sustainability in the cement industry in co-operation with the World Business Council for Sustainable Development (WBCSD) and independent stakeholders.

In Europe, our cement, lime, periclase and brick companies are committed to achieving Phase I of the National Allocation Plans prepared by the Member States under the Emissions Trading Directive. We are already in dialogue with Member States in relation to Phase II. We are actively taking steps in all our plants to achieve the associated CO_2 reduction targets through investing in more efficient technology, and in steadily increasing the use of alternative fuels and materials.

During their visit to our United States operations in October 2005, investors and analysts visited the Safety and Hazard Awareness Center at Tilcon's Mount Hope facility.

In September 2005, CRH Health & Safety representatives from Finland, Poland, Switzerland, Spain, Portugal and Ireland attended one of the regular Health & Safety Best Practice Group Meetings.

Health & Safety

Policy

Our health & safety policy, applied across all of the Group companies, is to:

- Comply, at a minimum, with all applicable legislation and continually improve our health & safety stewardship towards industry best practice
- Ensure that our employees and contractors are aware of and implement the Group's health & safety imperatives
- Ensure that our companies provide a healthy and safe workplace for all employees and contractors, and take due care of all customers and visitors at our locations
- Require all our company employees and contractors to work in a safe manner as mandated by law and best practice

Delivery

Health & safety management is a daily priority of line management. Safety results for the entire Group are closely monitored by senior management and are reported to the Board on a monthly basis.

The company safety officers are responsible for ensuring that company health & safety policies are fully adhered to, and that site managers and employees are trained in health & safety risk analysis and prevention.

At the end of each year, the safety officers also assist the Group Technical Advisor in carrying out a detailed safety performance review of all Group companies, the results of which are reviewed by the Board.

Where accidents occur, these are thoroughly investigated and corrective action is taken to avoid a recurrence. Lessons learned are actively shared via Safety Best Practice groups. Safety best practice is also shared on an industry-wide basis through the CSI Health & Safety Task Force, currently chaired by CRH.

Product safety

The products delivered by CRH companies, when properly used, present negligible health risks, and where appropriate are accompanied by Material Safety Data Sheets advising on optimal application procedures. The Group Technical Advisor and internal health & safety specialists regularly liaise with the relevant industry associations and regulatory bodies to ensure that all Group companies are aware of and comply with their obligations in this area.

Safety performance

Our goal is zero fatalities and zero accidents. Due to the nature and size of our businesses, getting there is an extremely challenging task. We continue to devote substantial management and employee time and all the appropriate resources to this area to progress the Group safety performance towards these goals.

The recent review demonstrated further improvement in safety across the Group. Over the last eight years, our accident frequency ratio has been reduced by 35%, significant in the context of continued organic and acquisition-led growth which more than doubled our workforce over the same timescale.

Over 60% of our locations were accident-free in 2005: we continuously strive to improve this figure through ongoing intensive safety management, training and sharing of safety best practice across all our 2,600 locations. There is a particular focus on bringing acquisitions quickly up to Group safety standards.

Despite all the very considerable focus on safety, we deeply regret that there were six employee and three contractor fatalities in 2005 across our operations in Ukraine, Poland, Germany, the Netherlands, the United Kingdom, Ireland and the United States. Every fatality is a tragedy too many, and we continue to do our utmost to avoid recurrences.

Joe McCullough presenting a US$1,000,000 cheque to the American Red Cross for the Hurricane Katrina relief fund. Oldcastle employees donated US$500,000 to the relief effort matched by a donation from Oldcastle, Inc.

Municipal fire brigade personnel being trained by specialists from Brakel Atmos in smoke, heat and exhaust ventilation systems produced by the company.

Social & Community

Our social policy, applied across all of the Group companies, is to:

- Comply, at a minimum, with all applicable legislation and to ensure that our social stewardship moves towards industry best practice
- Ensure that our employees and contractors are aware of the Group's social responsibilities
- Manage our businesses in a fair and equitable manner, meeting all our social responsibilities as an employer
- Apply the principle of equal opportunity, valuing diversity regardless of age, gender, disability, creed, ethnic origin or sexual orientation, while insisting that merit is the ultimate basis for recruitment and selection decisions
- Ensure that we deal with our suppliers and customers in accordance with our Code of Business Conduct

Delivery

We commit significant resources to training and developing our employees throughout the organisation. We seek to provide career development opportunities to all employees who have the initiative and ability to progress, with an average of 15 hours of training per employee in 2005. In parallel, leadership development programmes are run in all Divisions in order to foster and develop future world-class management.

Internal communications are vital to success in the competitive environment of our industry. Our Divisions, regions and product groups have strong traditions of open and regular communication within their businesses. Each year, we hold a European Works Council meeting, where employees and management discuss common trans-national developments.

Employee satisfaction is monitored at operating company level and is reviewed at Group level. Responsibility for ensuring customer satisfaction lies with the individual operating companies who conduct a variety of surveys and feedback processes to ensure that this is maintained effectively at the requisite high level. The 2005 social review indicated continued improvement on indicators of employee and customer satisfaction.

Conducting business with our supply chain and customer base

The CRH Code of Business Conduct contains several provisions aimed at ensuring that the Group conducts its business activities with its supply chain and customer base in a responsible manner. These relate to compliance with local legal requirements, use of confidential or inside information, conflicts of interest, provision or acceptance of gifts and prohibition of any form of bribe or similar inducement.

The Code of Business Conduct, published on our website, www.crh.com, has been issued to all relevant senior employees and representatives in our companies. Responsibility for adherence with the Code and CRH policies in this area lies with the individual company management, and is monitored by our Internal Audit team. We have established appropriate mechanisms for reporting and investigation of any employee complaints.

The Staker Parson Companies in Utah, have been awarded the prestigious NAPA Ecological Award for their Ogden and Beck Street facilities in 2004 and 2005 for their efforts in environmental excellence.

Children from St. Patrick's Primary School visiting the Carran Hill Water Treatment Works at Crossmaglen, Northern Ireland. Northstone (NI) Ltd. was responsible for all the civil engineering work on this project.

Recognitions

We are pleased to be again ranked among sector leaders by a number of leading socially responsible investment rating agencies.

The Dow Jones World and STOXX Sustainability Indexes, assessed by SAM (Zürich), once again highlighted CRH as a sector leader in the September 2005 review, noting that:

"CRH continues to rank among the sector leaders in overall CSR performance, and although there is still room for improvement, CRH makes good progress in meeting numerous sustainability challenges."

Also Vigeo (Paris) in January 2006 indicated in its detailed sector review that:

"CRH's performance on CSR issues is in the top three performers. It demonstrates positive and stable performances for customers and suppliers, human rights, community involvement, corporate governance and human resources, and an improved rating for environmental issues compared to its 2004 rating."

CRH became a constituate member of the FTSE4Good index series in March 2006:

"FTSE Group is delighted to confirm that CRH has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series."

Many of our locations won industry accolades for excellence and innovation in environmental and safety practices. Group companies in all four Divisions won 180 national and regional environmental awards in 2005. Americas Materials in particular won many high-ranking awards from the National Asphalt Pavement Association and the National Stone, Sand and Gravel Association. Group companies also won over 100 significant national, regional and sector association safety awards.

Stakeholder communication

The Group communicates regularly with key stakeholder groups concerning our corporate responsibility credentials and commitments. At Group level, we discuss our performance with the investment community, third-party survey and assessment organisations, our employees and other interested parties. At company level, we are in regular dialogue with local communities, underlining our commitment to operate as a good neighbour.

More details on our environmental, health & safety, and social performances can be seen in the CSR presentation on our website, www.crh.com. The current version has been independently verified by Det Norske Veritas, CRH being among the first in its sector to achieve such independent verification. An updated CSR presentation, based on our 2005 data, will be published by mid-2006.

Board of Directors

Left to right

A. O'Brien* FCMA, FCIS

Tony O'Brien became a non-executive Director in 1992. He is Chairman of C&C Group plc. He was formerly Chairman of Anglo Irish Bank Corporation plc and is a past President of The Irish Business and Employers Confederation. (Aged 69).

T.V. Neill* MA, MSc

Terry Neill became a non-executive Director in January 2004. He was, until August 2001, Senior Partner in Accenture and had been Chairman of Accenture/Andersen Consulting's global board. He is a member of the Court of Bank of Ireland and Chairman of Meridea Financial Software Oy and Camerata Ireland. He is a member of the Governing Body of the London Business School, where he is Chair of the Finance Committee, and of the Trinity Foundation Board. (Aged 60).

K. McGowan*

Kieran McGowan became a non-executive Director in 1998. He retired as Chief Executive of IDA Ireland in December 1998. He is a director of a number of companies including Elan Corporation plc, Enterprise Ireland and Irish Life & Permanent plc and Chairman of the Governing Authority of University College Dublin. (Aged 62).

W.I. O'Mahony BE, BL, MBA, CEng FIEI
Chief Executive

Liam O'Mahony joined CRH in 1971. He has held senior management positions including Chief Operating Officer of the United States operations and Managing Director, Republic of Ireland and UK Group companies. He joined the CRH Board in 1992, was appointed Chief Executive, Oldcastle, Inc. in November 1994 and became Group Chief Executive in January 2000. He is a member of The Irish Management Institute Council and of the Harvard Business School European Advisory Board. (Aged 59).

J.M.C. O'Connor*

Joyce O'Connor became a non-executive Director in 2004. She is President of the National College of Ireland. She is currently Chair of the Further Education and Training Awards Council (FETAC), the National Guidance Forum and the Expert Group on Mental Health Policy and a member of the National Qualifications Authority. She also chairs Dublin Inner City Partnership, is a Council Member of the Dublin Chamber of Commerce and an Eisenhower Fellow. (Aged 58).

J.L. Wittstock BBA, CPA, MBA
Managing Director
Europe Products & Distribution

John Wittstock joined CRH in 1990 with the acquisition of HGP Industries. Prior to joining HGP, he worked in the brewing and food industries. He became Chief Executive Officer of Oldcastle Products & Distribution in January 2000 and joined the CRH Board in January 2002. He was appointed to his current position in October 2004. A United States citizen, he is responsible for managing and developing the Group's products and distribution businesses throughout Europe. (Aged 56).

M. Lee BE, FCA
Finance Director

Myles Lee joined CRH in 1982. Prior to this he worked in a professional accountancy practice and in the oil industry. He was appointed General Manager Finance in 1988 and became Finance Director in November 2003. (Aged 52).

P.J. Molloy*
Chairman

Pat Molloy became Chairman of CRH in 2000 having been a non-executive Director since 1997. He is Chairman of the Blackrock Clinic and Enterprise Ireland and a director of Waterford Wedgwood plc. He retired as Group Chief Executive of Bank of Ireland in January 1998. (Aged 67).

D.M. Kennedy* MSc

David Kennedy became a non-executive Director in 1989. He is a director of a number of companies in Ireland and overseas, including The Manchester Airport Group plc, Bon Secours Health System Limited, Drury Communications Ltd and Pimco Funds Global Investors Series plc. He was formerly Chief Executive of Aer Lingus plc. (Aged 67).

Pictured during a visit to Europe Materials' Irish Cement plant in Limerick in June 2005.

J.M. de Jong*

Jan Maarten de Jong, a Dutch national, became a non-executive Director in January 2004. He is Vice Chairman of the Supervisory Board of Heineken N.V. He is a former member of the Managing Board of ABN Amro Bank N.V. and continues to be a Special Advisor to the board of that company. He also holds a number of other directorships of European companies including Cementbouw bv, in which CRH acquired 45% of the equity as part of the Cementbouw transaction in 2003. (Aged 60).

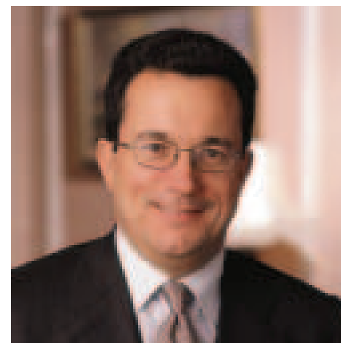
N. Hartery* CEng FIEI, MBA

Nicky Hartery became a non-executive Director in 2004. He is Vice President of Manufacturing, Business Operations and Customer Experience for Dell Europe, the Middle East and Africa. Prior to joining Dell, he was Executive Vice President at Eastman Kodak and previously held the position of President and CEO at Verbatim Corporation, based in the United States. (Aged 54).

D.W. Doyle BE, MIE
Managing Director
CRH Europe Materials

Declan Doyle joined CRH in 1968 and has held a number of senior management positions within the Group's European materials businesses, including Managing Director of Irish Cement Limited and Roadstone-Wood and Regional Director with responsibility for Poland and Ukraine. He was appointed Managing Director CRH Europe Materials in January 2003 and became a CRH Board Director in January 2004. (Aged 59).

** Non-executive*



Above

T.W. Hill BA, MBA
Chief Executive Officer
Oldcastle Materials

Tom Hill joined CRH in 1980. He was appointed President of Oldcastle Materials, Inc. in 1991 and became its Chief Executive Officer in January 2000. A United States citizen, he is responsible for the Group's United States aggregates, asphalt and readymixed concrete operations. He was appointed a CRH Board Director with effect from 1st January 2002. (Aged 49).

Board Committees 2005

Acquisitions

P.J. Molloy, *Chairman*
D.M. Kennedy
M. Lee
K. McGowan
W.I. O'Mahony

Audit

K. McGowan, *Chairman*
J.M. de Jong
D.M. Kennedy
J.M.C. O'Connor

Finance

P.J. Molloy, *Chairman*
M. Lee
A. O'Brien
W.I. O'Mahony

Nomination

P.J. Molloy, *Chairman*
N. Hartery
T.V. Neill
A. O'Brien
W.I. O'Mahony

Remuneration

A. O'Brien, *Chairman*
N. Hartery
T.V. Neill

Senior Independent Director

A. O'Brien

Corporate Governance

CRH has primary listings on the Irish and London Stock Exchanges. The Group's ADRs have been quoted on NASDAQ in the United States since 1989; CRH is currently in the process of transferring its United States listing to the New York Stock Exchange (NYSE).

The Directors are committed to maintaining the highest standards of corporate governance and this statement describes how CRH applies the main and supporting principles of the 2003 Combined Code on Corporate Governance, which is appended to the Listing Rules of the Irish and London Stock Exchanges.

Board of Directors

Role

The Board is responsible for the leadership and control of the Company. There is a formal schedule of matters reserved to the Board for consideration and decision. This includes Board appointments, approval of strategic plans for the Group, approval of financial statements, the annual budget, major acquisitions and significant capital expenditure, and review of the Group's system of internal controls.

The Board has delegated responsibility for the management of the Group, through the Chief Executive, to executive management. The roles of Chairman and Chief Executive are not combined and there is a clear division of responsibilities between them, which is set out in writing and has been approved by the Board. The Chief Executive is accountable to the Board for all authority delegated to executive management.

The Board has also delegated some of its responsibilities to Committees of the Board. Individual Directors may seek independent professional advice, at the expense of the Company, in the furtherance of their duties as a Director.

The Group has a policy in place which indemnifies the Directors in respect of legal action taken against them.

Membership

It is the practice of CRH that a majority of the Board comprises non-executive Directors and that the Chairman be non-executive. At present, there are five executive and eight non-executive Directors. Biographical details are set out on pages 42 and 43. The Board considers that, between them, the Directors bring the range of skills, knowledge and experience, including international experience, necessary to lead the Company.

All of the Directors bring independent judgement to bear on issues of strategy, performance, resources, key appointments and standards. The Board has determined that each of the non-executive Directors is independent. In reaching that conclusion, the Board took into account a number of factors that might appear to affect the independence of some of the Directors, including length of service on the Board and cross-directorships. In each case the Board decided that the independence of the relevant Director was not compromised.

Chairman

Mr. Pat Molloy has been Chairman of the Group since May 2000. The Chairman is responsible for the efficient and effective working of the Board. He ensures that Board agendas cover the key strategic issues confronting the Group; that the Board reviews and approves management's plans for the Group; and that Directors receive accurate, timely, clear and relevant information. While Mr. Molloy holds a number of other directorships (see details on page 42), the Board considers that these do not interfere with the discharge of his duties to CRH.

Senior Independent Director

The Board has appointed Mr. Tony O'Brien as the Senior Independent Director. Mr. O'Brien is available to shareholders who have concerns that cannot be addressed through the Chairman, Chief Executive or Finance Director. On Mr. O'Brien's retirement from the Board on 3rd May 2006, Mr. David Kennedy will take on the role of Senior Independent Director.

Company Secretary

The appointment and removal of the Company Secretary is a matter for the Board. All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are complied with.

Terms of appointment

The standard terms of the letter of appointment of non-executive Directors is available, on request, from the Company Secretary.

Induction and development

New Directors are provided with extensive briefing materials on the Group and its operations. Directors meet with key executives and, in the course of twice-yearly visits by the Board to Group locations, see the businesses at first hand and meet with local management teams.

Remuneration

Details of remuneration paid to the Directors (executive and non-executive) are set out in the Report on Directors' Remuneration on pages 50 to 55.

Share ownership and dealing

Details of the shares held by Directors are set out on page 54.

CRH has a policy on dealings in securities that applies to Directors and senior management. Under the policy, Directors are required to obtain clearance from the Chairman and Chief Executive before dealing in CRH shares. Directors and senior management are prohibited from dealing in CRH shares during designated prohibited periods and at any time at which the individual is in possession of price-sensitive information. The policy adopts the terms of the Model Code, as set out in the Listing Rules published by the UK Listing Authority and the Irish Stock Exchange.

Performance appraisal

The Senior Independent Director conducts an annual review of corporate governance, the operation and performance of the Board and its Committees and the performance of the Chairman. This is achieved through discussion with each Director and the Company Secretary. A review of individual Directors' performance is conducted by the Chairman and each Director is provided with feedback gathered from other members of the Board.

Directors' retirement and re-election

The Board has determined that when a non-executive Director has served on the Board for more than nine years, that Director will be subject to annual re-election. Of the remaining Directors, at least one-third retire at each Annual General Meeting and Directors must submit themselves to shareholders for re-election every three years.

Directors appointed by the Board must submit themselves to shareholders for election at the

Annual General Meeting following their appointment.

Board succession planning

The Board plans for its own succession with the assistance of the Nomination Committee. In so doing, the Board considers the skill, knowledge and experience necessary to allow it to meet the strategic vision for the Group.

The Board engages the services of independent consultants to undertake a search for suitable candidates to serve as non-executive Directors.

Meetings

There were eight full meetings of the Board during 2005. Details of Directors' attendance at those meetings are set out in the table on page 47. The Chairman sets the agenda for each meeting, in consultation with the Chief Executive and Company Secretary. Two visits are made each year by the Board to Group operations; one in Europe and one in North America. Each visit lasts between three and five days and incorporates a scheduled Board meeting. In 2005, these visits were to southwest Ireland and to Albany, New York and Florida in the United States. Additional meetings, to consider specific matters, are held when and if required. Board papers are circulated to Directors in advance of meetings.

The non-executive Directors met twice during 2005 without executives being present.

Committees

The Board has established five permanent Committees to assist in the execution of its responsibilities. These are the Acquisitions Committee, the Audit Committee, the Finance Committee, the Nomination Committee and the Remuneration Committee. Ad hoc committees are formed from time to time to deal with specific matters.

Each of the permanent Committees has terms of reference, under which authority is delegated to them by the Board. The terms of reference are available on the Group's website, www.crh.com. Minutes of all Committee meetings are circulated to all members of the Board.

The current membership of each Committee is set out on page 43. Attendance at meetings held in 2005 is set out in the table on page 47.

Chairmen of the Committees attend the Annual General Meeting and are available to answer questions from shareholders.

The role of the *Acquisitions Committee* is to approve acquisitions and capital expenditure projects within limits agreed by the Board.

The *Audit Committee* consists of four non-executive Directors, considered by the Board to be independent. The Board has determined that Mr. Jan Maarten de Jong is the Committee's financial expert. It will be seen from the Directors' biographical details, appearing on pages 42 and 43, that the members of the Committee bring to it a wide range of experience and expertise.

The Committee met ten times during the year under review. The Finance Director and the Head of Internal Audit normally attend meetings of the Committee, while the external auditors attend as required and have direct access to the Committee Chairman at all times.

The main role and responsibilities are set out in written terms of reference and include:

- monitoring the integrity of the Group's financial statements and reviewing significant financial reporting issues and judgements contained therein;
- reviewing the effectiveness of the Group's internal financial controls;
- monitoring and reviewing the effectiveness of the Group's internal auditors;
- making recommendations to the Board on the appointment and removal of the external auditors and approving their remuneration and terms of engagement; and
- monitoring and reviewing the external auditors' independence, objectivity and effectiveness, taking into account professional and regulatory requirements.

These responsibilities are discharged as follows:

- the Committee reviews the trading statements issued by the Company in January and July;
- at its meeting in February, the Committee reviews the Company's preliminary results announcement/Annual Report and accounts. The Committee receives reports at that meeting from the external auditors identifying any accounting or judgemental issues requiring its attention;
- the Committee also meets with the external auditors to review the Annual Report on Form 20-F, which is filed annually with the United States Securities and Exchange Commission;
- in August, the Committee reviews the interim report;
- the external auditors present their audit plans in advance to the Committee;
- the Committee approves the annual internal audit plan;
- regular reports are received from the Head of Internal Audit on reviews carried out; and
- the Head of Internal Audit also reports to the Committee on other issues including, in the year under review, progress on the implementation of Section 404 of the Sarbanes-Oxley Act 2002 and the arrangements in place to enable employees to raise concerns, in confidence, in relation to possible wrongdoing in financial reporting or other matters.

As noted above, one of the duties of the Audit Committee is to make recommendations to the Board in relation to the appointment of the external auditors. A number of factors are taken into account by the Committee in assessing whether to recommend the auditors for re-appointment. These include:

- the quality of reports provided to the Audit Committee and the Board, and the quality of advice given;
- the level of understanding demonstrated of the Group's business and industry; and
- the objectivity of the auditors' views on the controls around the Group and their ability to co-ordinate a global audit, working to tight deadlines.

The Committee has put in place safeguards to ensure that the independence of the audit is not compromised. Such safeguards include:

- seeking confirmation that the auditors are, in their professional judgement, independent from the Group;
- obtaining from the external auditors an account of all relationships between the auditors and the Group;
- monitoring the number of former employees of the

- external auditors currently employed in senior positions in the Group and assessing whether those appointments impair, or appear to impair, the auditors' judgement or independence;
- considering whether, taken as a whole, the various relationships between the Group and the external auditors impair, or appear to impair, the auditors' judgement or independence; and
- reviewing the economic importance of the Group to the external auditors and assessing whether that importance impairs, or appears to impair, the external auditors' judgement or independence.

The Group has a policy governing the conduct of non-audit work by the auditors. Under that policy, the auditors are prohibited from performing services where the auditors:

- may be required to audit their own work;
- participate in activities that would normally be undertaken by management;
- are remunerated through a 'success fee' structure, where success is dependent on the audit; or
- act in an advocacy role for the Group.

Other than the above, the Group does not impose an automatic ban on the Group auditors undertaking non-audit work. The auditors are permitted to provide non-audit services that are not, or are not perceived to be, in conflict with auditor independence, providing they have the skill, competence and integrity to carry out the work and are considered by the Committee to be the most appropriate to undertake such work in the best interests of the Group. The engagement of the external auditors to provide any non-audit services must be pre-approved by the Audit Committee or entered into pursuant to pre-approval policies and procedures established by the Committee.

Details of the amounts paid to the external auditors during the year for audit and other services are set out in the notes to the financial statements on page 73.

The *Finance Committee* advises the Board on the financial requirements of the Group and on appropriate funding arrangements.

The *Nomination Committee* assists the Board in ensuring that the composition of the Board and its Committees is appropriate to the needs of the Group by:

- assessing the skills, knowledge, experience and diversity required on the Board and the extent to which each are represented;
- establishing processes for the identification of suitable candidates for appointment to the Board; and
- overseeing succession planning for the Board and senior management.

To facilitate the search for suitable candidates to serve as non-executive Directors, the Committee uses the services of independent consultants.

The *Remuneration Committee*, which consists solely of non-executive Directors considered by the Board to be independent:

- determines the Group's policy on executive remuneration;
- determines the remuneration of the executive Directors;
- monitors the level and structure of remuneration for senior management; and
- reviews and approves the design of all share incentive plans.

The Committee receives advice from leading independent firms of compensation and benefit consultants when necessary and the Chief Executive is fully consulted about remuneration proposals. The Committee oversees the preparation of the Report on Directors' Remuneration.

In 2005, the Committee determined the salaries of the executive Directors and the awards under the annual and long-term incentive plans; set the remuneration of the Chairman; and reviewed the remuneration of senior management. It also approved the award of share options to the executive Directors and key management.

Also in 2005, the Committee, with the assistance of external advisers, undertook an extensive review of the Company's compensation arrangements for executive Directors and senior managers. Further commentary on this review is contained in the Report on Directors' Remuneration on page 50.

Corporate Social Responsibility

Corporate Social Responsibility is embedded in all CRH operations and activities. Excellence in environmental, health, safety and social performance is a daily key priority of line management. Group policies and implementation systems are summarised on pages 37 to 41 and are described in detail in the CSR presentation on the Group's website, www.crh.com. During 2005, CRH was again recognised by several key rating agencies as being among the leaders in its sector in respect of sustainability performance.

Code of Business Conduct

The CRH Code of Business Conduct is applicable to all Group employees and is supplemented by local codes throughout the Group's operations. The Code is available on the Group's website, www.crh.com.

Communications with shareholders

Communications with shareholders are given high priority and there is regular dialogue with institutional shareholders, as well as presentations at the time of the release of the annual and interim results. Conference calls are held following the issuance of trading statements and major announcements by the Group, which afford Directors the opportunity to hear investors' reactions to the announcements and their views on other issues. In 2005, a visit was organised for buy and sell-side analysts to Group operations in Pennsylvania and New Jersey.

Trading statements are issued in January and July. Major acquisitions are notified to the Stock Exchanges in accordance with the requirements of the Listing Rules. In addition, development updates, giving details of other acquisitions completed and major capital expenditure projects, are issued in January and July each year.

During 2005, the Board received reports from management on the issues raised by investors in the course of presentations following the annual and interim results.

The Group's website, www.crh.com, provides the full text of the Annual and Interim Reports, the Annual Report on Form 20-F, which is filed annually with the United States Securities and Exchange Commission, trading statements and copies of presentations to analysts and investors. News releases are made available in the News & Media

section of the website immediately after release to the Stock Exchanges.

The Company's Annual General Meeting affords individual shareholders the opportunity to question the Chairman and the Board. Notice of the Annual General Meeting is sent to shareholders at least 20 working days before the meeting. At the meeting, after each resolution has been dealt with, details are given of the level of proxy votes lodged, the balance for and against that resolution and the number of abstentions.

In addition, the Company responds throughout the year to numerous letters from shareholders on a wide range of issues.

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

	Board		Acquisitions		Audit		Finance		Nomination		Remuneration	
	A	B	A	B	A	B	A	B	A	B	A	B
D.W. Doyle	8	8										
N. Hartery	8	8							4	4	4	4
T.W. Hill	8	7										
J.M. de Jong	8	8			10	9						
D.M. Kennedy	8	8	4	2	10	9						
M. Lee	8	8	4	4			2	2				
K. McGowan	8	8	4	4	10	10						
P.J. Molloy	8	8	4	4			2	2	4	4		
T.V. Neill	8	8							4	4	4	4
A. O'Brien	8	8					2	2	4	4	4	4
J.M.C. O'Connor	8	8			10	8						
W.I. O'Mahony	8	8	4	4			2	2	4	4		
W.P. Roef*	2	1							1	0	2	1
J.L. Wittstock	8	5										

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.
** Retired 4th May 2005*

Internal control

The Directors have overall responsibility for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Directors confirm that the Group's ongoing process for identifying, evaluating and managing its significant risks is in accordance with the updated Turnbull guidance (*Internal Control: Revised Guidance for Directors on the Combined Code*) published in October 2005. 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.

Group management has responsibility for major strategic development and financing decisions. Responsibility for operational issues is devolved, subject to limits of authority, to product group and operating company management. Management at all levels is responsible for internal control over the respective business functions that have been delegated. This embedding of the system of internal control throughout the Group's operations ensures that the organisation is capable of responding quickly to evolving business risks, and that significant internal control issues, should they arise, are reported promptly to appropriate levels of management.

The Board receives, on a regular basis, reports on the key risks to the business and the steps being taken to manage such risks. It considers whether the significant risks faced by the Group are being identified, evaluated and appropriately managed, having regard to the balance of risk, cost and opportunity. In addition, the Audit Committee meets with internal auditors on a regular basis and satisfies itself as to the adequacy of the Group's internal control system. The Audit Committee also meets with and receives reports from the external auditors. 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.

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. This had regard to the material risks that could affect the Group's business (as outlined in the Directors' Report on page 48), the methods of managing those risks, the controls that are in place to contain them and the procedures to monitor them.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Company, and the Group as a whole, have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Compliance

As at the date of this report, the Board has taken the necessary steps to be in compliance with the provisions set out in section 1 of the 2003 Combined Code and with the rules issued by the United States Securities and Exchange Commission to implement the Sarbanes-Oxley Act 2002, in so far as they apply to the Group.

The Directors submit their Report and Financial Statements for the year ended 31st December 2005.

Accounts and Dividends

Sales revenue at €14,449 million was 13.3% higher than in 2004. Profit before tax amounted to €1,279 million, an increase of €175 million, or 15.8%, on the previous year. After providing for tax, Group profit for the financial year amounted to €1,006 million (2004 : €872 million). Basic earnings per share amounted to 186.7c compared with 163.6c in the previous year, an increase of 14.1%.

An interim dividend of 11.25c (2004 : 9.6c) per share was paid in November 2005. It is proposed to pay a final dividend of 27.75c per share on 8th May 2006 to shareholders registered at close of business on 17th March 2006. The total dividend of 39c compares with a dividend of 33c in 2004, an increase of 18.2%. Shareholders will have the option of receiving new shares in lieu of cash dividends.

Other net income/(expense) recognised directly within equity in the year amounted to €363.3 million (2004 : net expense of €268.1 million).

The Financial Statements for the year ended 31st December 2005 are set out in detail on pages 58 to 117.

Books and 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 Company. The Directors have appointed appropriate accounting personnel, including a professionally qualified Finance Director, in order to ensure that those requirements are met.

The books and accounting records of the Company are maintained at the principal executive offices located at Belgard Castle, Clondalkin, Dublin 22.

Business Review

Full-year development activity amounted to approximately €1.45 billion. This was ahead of the €1 billion expenditure in 2004, and only slightly below the €1.6 billion expenditure in 2003 which included the €0.7 billion Cementbouw transaction.

The acquisition by our Americas Materials Division of three aggregates, asphalt, paving and construction businesses, located in Kentucky, Virginia and Minnesota, for a total combined consideration of €344 million (US$413 million), was announced on 1st November 2005. Just prior to year-end, the Group acquired control of a 26.3% equity stake in Corporación Uniland S.A., a major Spanish manufacturer of cement, readymixed concrete, mortar and aggregates with additional cement and readymixed concrete interests in Tunisia, Argentina and Uruguay, for a consideration of approximately €300 million. In addition to these major transactions, the Group invested in a total of 60 other development initiatives during 2005. These investments were well spread in terms of geographic location and product grouping and will further consolidate the strength of CRH's position in key markets, while providing some extensions of existing markets.

Three of the four Divisions, Europe Materials, Americas Materials and Americas Products & Distribution, achieved significant profit growth in 2005, while in the fourth Division, Europe Products & Distribution, contributions from acquisitions were offset by weakness in the core Dutch market and continued raw material cost volatility in our Insulation business, resulting in profits that were slightly lower than 2004. Comprehensive reviews of the development and financial and operating performance of the Group during 2005 are set out in the Chief Executive's Review on pages 9 to 11, the separate Operations Reviews for each of the Divisions on pages 12 to 31 and the Finance Review on pages 32 to 36 (including the Key Financial Performance Indicators on page 34). The treasury policy and objectives of the Group are set out in note 23 to the Financial Statements.

The Group is fully committed to operating ethically and responsibly in all aspects of its business relating to employees, customers, neighbours and other stakeholders. The Corporate Social Responsibility Report on pages 37 to 41 sets out the Group's policies and performance in 2005 relating to the Environment, Health & Safety and Social & Community matters.

Outlook 2006

CRH delivered a strong profit and development performance in 2005. Key to that performance was the effective recovery of significant energy cost increases; this looks likely to continue to be crucial in the year ahead.

While as always risks remain, the current business outlook is on the whole positive and we enter 2006 with good momentum. A gradual pick-up in European economies seems broadly underway, which if maintained should bring good benefits. In the United States, while housing may moderate at strong levels, non-residential construction should continue to recover and highway markets are under-pinned by passage of the new Highway Bill. With a continuing focus on operational effectiveness and ongoing acquisition benefits we look to 2006 with confidence.

Principal Risks and Uncertainties

Under Irish Company law (Statutory Instrument 116.2005 - European Communities (International Financial Reporting Standards and Miscellaneous Amendments) Regulations 2005), the Group is required to give a description of the principal risks and uncertainties which it faces. These principal risks are set out below.

- CRH operates in cyclical industries which are affected by factors beyond Group control such as the level of construction activity, fuel and raw material prices, which are in turn affected by the performance of national economies, the implementation of economic policies by sovereign governments and political developments
- The onset of a cycle of reduced economic growth in the countries in which CRH has significant operations or the implementation of unfavourable governmental policies could adversely affect Group revenues and operating margins
- CRH pursues a strategy of growth through acquisitions. CRH may not be able to continue to grow as contemplated in its business plan if it is unable to identify attractive targets, complete the acquisition transactions and integrate the operations of the acquired businesses
- CRH faces strong competition in its various markets, and if CRH fails to compete successfully, market share may decline
- Existing products may be replaced by substitute products which CRH does not produce and, as a result, CRH may lose market share in the markets for these products
- Severe weather can reduce construction activity and lead to a decrease in demand for Group products in areas affected by adverse weather conditions
- CRH is subject to stringent environmental and health & safety laws, regulations and standards which could result in costs related to compliance and remediation efforts that may adversely affect Group results of operations and financial condition

- CRH may be adversely affected by governmental regulations
- Many of CRH's subsidiaries operate in currencies other than the euro, and adverse changes in foreign exchange rates relative to the euro could adversely affect Group report-ed earnings and cash flow.

The Group has long experience of coping with these risks while delivering superior performance and strong Total Shareholder Return.

Board of Directors

Mr. W.P. Roef retired from the Board on 4th May 2005.

Mr. A. O'Brien will retire from the Board at the Annual General Meeting on 3rd May 2006.

Mr. D.W. Doyle, Mr. J.M. de Jong and Mr. M. Lee retire from the Board by rotation and, being eligible, offer themselves for re-election.

To comply with the provision of the Combined Code on Corporate Governance that non-executive directors may serve more than nine years, subject to annual re-election, Mr. D.M. Kennedy retires and, being eligible, offers himself for re-election.

Authority to allot Shares

The Directors require the authority of the shareholders to allot any unissued share capital of the Company. Accordingly, an authority for that purpose, valid for a period of five years, will be sought from shareholders at the Annual General Meeting. The total number of unissued shares which the Directors will have authority to allot and the percentage which that number represents of that class of the share capital in issue is as at 6th March 2006:

Ordinary/ Income Shares	198,554,559	37.01%
5% Cumulative Preference Shares	100,000	200%

No issue of shares will be made which could effectively alter control of the Company without prior approval of the Company in General Meeting. The Directors have no present intention of making any issue of shares.

Disapplication of Pre-emption Rights

A special resolution will be proposed at the Annual General Meeting to renew the Directors' authority to disapply statutory pre-emption rights in relation to allotments of shares for cash. In respect of allotments other than for rights issues to ordinary shareholders and employees' share schemes, the authority is limited to Ordinary/Income Shares having a nominal value of €9,119,000, representing 5% approximately of the issued Ordinary/Income share capital at 6th March 2006. This authority will expire on the earlier of the date of the Annual General Meeting in 2007 or 2nd August 2007.

Purchase of own Shares

Special resolutions will be proposed at the Annual General Meeting to renew the authority of the Company, or any of its subsidiaries, to purchase up to 10% of the Company's Ordinary/Income Shares in issue at the date of the Annual General Meeting and in relation to the maximum and minimum prices at which treasury shares (effectively shares purchased and not cancelled) may be re-issued off-market by the Company. If granted, the authorities will expire on the date of the Annual General Meeting in 2007 or 2nd August 2007, whichever is the earlier.

The minimum price which may be paid for shares purchased by the Company shall not be less than the nominal value of the shares and the maximum price will be 105% of the average market price of such shares over the preceding five days. Options to subscribe for a total of 26,352,057 Ordinary/Income Shares are outstanding, representing 4.91% of the issued Ordinary/Income share capital. If the authority to purchase Ordinary/Income Shares was used in full, the options would represent 5.46%.

The Directors do not have any current intention of exercising the power to purchase the Company's own shares and will do so only if the Directors consider it to be in the best interests of the Company and its shareholders. The authority granted at the Annual General Meeting in 2005 to purchase up to 53,336,411 of the Company's Ordinary/Income Shares has not been exercised.

Corporate Governance

Statements by the Directors in relation to the Company's appliance of corporate governance principles, compliance with the provisions of the 2003 Combined Code, the Group's system of internal controls and the adoption of the going concern basis in the preparation of the Financial Statements are set out on pages 44 to 47.

The Report on Directors' Remun-eration is set out on pages 50 to 55.

Substantial Holdings

As at 6th March 2006, the Company had received notification of the following interests in its Ordinary share capital:

Name	Holding	%
Bank of Ireland Asset Management Limited	42,721,272	7.96
The Capital Group Companies, Inc. and its affiliates	24,877,842	4.63
UBS AG	26,380,604	4.91

Bank of Ireland Asset Management Limited and The Capital Group Companies, Inc. and its affiliates state that these shares are not beneficially owned by them.

Subsidiary, Joint Venture and Associated Undertakings

The Group has over 900 subsidiary, joint venture and associated undertakings. The principal ones as at 31st December 2005 are listed on pages 125 to 129.

Auditors

The Auditors, Ernst & Young, Chartered Accountants, are willing to continue in office and a resolution authorising the Directors to fix their remuneration will be submitted to the Annual General Meeting.

Annual General Meeting

Your attention is drawn to the letter to shareholders and the Notice of Meeting enclosed with this report which set out details of additional matters to be considered at the Annual General Meeting.

On behalf of the Board,
P.J. Molloy, W.I. O'Mahony,
Directors
6th March 2006

The Remuneration Committee

The *Remuneration Committee* of the Board consists of non-executive Directors of the Company other than the Chairman. The terms of reference for the *Remuneration Committee* are to determine the Group's policy on executive remuneration and to consider and approve salaries and other terms of the remuneration packages for the executive Directors. The Committee receives advice from leading independent firms of compensation and benefit consultants when necessary and the Chairman of the Board and the Chief Executive are fully consulted about remuneration proposals. Membership of the *Remuneration Committee* is set out on page 43.

Remuneration policy

CRH is an international group of companies, with activities in 25 countries. Our policy on Directors' remuneration is designed to attract and retain Directors of the highest calibre who can bring their experience and independent views to the policy, strategic decisions and governance of CRH.

In setting remuneration levels, the *Remuneration Committee* takes into consideration the remuneration practices of other international companies of similar size and scope. Executive Directors must be properly rewarded and motivated to perform in the best interest of the shareholders. The spread of the Group's operations requires that the remuneration packages in place in each geographical area are appropriate and competitive for that area.

Performance-related rewards, based on measured targets, are a key component of remuneration. CRH's strategy of fostering entrepreneurship in its regional companies requires well-designed incentive plans that reward the creation of shareholder value through organic and acquisitive growth. The typical elements of the remuneration package for executive Directors have been basic salary and benefits, a cash incentive bonus, a contributory pension scheme and participation in the share option plan. It is policy to grant options to key management to encourage identification with shareholders' interests and to create a community of interest among different regions and nationalities.

The Group also operates share participation plans and savings-related share option schemes for eligible employees in all regions where the regulations permit the operation of such plans. In total there are approximately 6,050 employees of all categories who are shareholders in the Group.

Executive Directors' Remuneration

Basic salary and benefits

The basic salaries of executive Directors are reviewed annually having regard to personal performance, company performance, step changes in responsibilities and competitive market practice in the area of operation. Employment-related benefits relate principally to the use of company cars and medical/life assurance. No fees are payable to executive Directors.

Performance-related cash incentive plan

The executive Directors' cash incentive plan for 2005, under which a bonus could be paid up to a maximum of 75% of basic salary for Mr. Doyle, Mr. Lee and Mr. O'Mahony and 90% for Mr. Hill and Mr. Wittstock for meeting clearly defined and stretch profit targets and strategic goals, comprised five separate components, based on annual and rolling three-year performance targets.

The two components related to annual performance were:

(i) Individual performance: Strategic priorities and action plans were agreed at the start of the year, and quantified where possible. The maximum award was 15% of basic salary.

(ii) Regional and/or Group profitability: Challenging targets generally in excess of budget were set for the year. The maximum award for this component was 35% of basic salary for Mr. Doyle, Mr. Lee and Mr. O'Mahony and 50% for Mr. Hill and Mr. Wittstock.

The three components related to rolling three-year performance, under which the total maximum earnings potential was 25% of basic salary for the year, were as follows:

(iii) Earnings per share growth targets.

(iv) Return on net assets targets.

(v) Total shareholder returns relative to an independently selected group of international peers.

In addition, the Chief Executive has a special long-term incentive plan under which targets have been set for the two-year period ending December 2006. This plan succeeds and is similar in structure to the special long-term incentive plan which applied for the five-year period ended December 2004. It incorporates challenging goals in respect of Total Shareholder Return by comparison with a peer group, growth in earnings per share and the strategic development of the Group with a total maximum earnings potential of 40% of aggregate basic salary. While accruals are made on an annual basis, there is no commitment to any payment until the end of the two-year period. Details of the manner in which earnings have been provided for under the current and previous plans are set out in Note 2 to Directors' remuneration on page 52.

Share option scheme

Under the terms of the share option scheme approved by shareholders on 3rd May 2000, two tiers of options are available subject to different performance conditions as set out below:

(i) Exercisable only when earnings per share (EPS) growth exceeds the growth of the Irish Consumer Price Index by 5% compounded over a period of at least three years subsequent to the granting of the options (Basic Tier).

(ii) Exercisable, if over a period of at least five years subsequent to the granting of the options, the growth in EPS exceeds the growth of the Irish Consumer Price Index by 10% compounded and places the Company in the top 25% of EPS performance of a peer group of international building materials companies. If below the 75th percentile, these options are not exercisable (Second Tier).

The percentage of share capital which can be issued under the scheme and individual grant limits comply with institutional guidelines. Subject to satisfactory performance, options are expected to be awarded annually, ensuring a smooth progression over the life of the share option scheme. Grants of share options are at the market price of the Company's shares at the time of grant, and are made after the final results announcement ensuring transparency.

Non-executive Directors' Remuneration

The remuneration of non-executive Directors is determined by the Board of Directors as a whole. The fees paid to non-executive Directors are set at a level which will attract individuals with the necessary experience and ability to make a substantial contribution to the Company's affairs and reflect the time and travel demands of their Board duties.

Pensions

Pensions for executive Directors are calculated on basic salary only (no incentive or benefit elements are included).

Mr. Doyle and Mr. Lee participate

in a defined benefit plan designed to provide two-thirds of salary at retirement for full service. There is provision for these executive Directors to retire at 60 years of age. Under the Chief Executive's defined benefit plan arrangements, provision was made for retirement on two-thirds of salary following completion of five years in the role of Chief Executive, and as a result, his pension is fully funded.

Mr. Hill and Mr. Wittstock participate in defined contribution retirement plans in respect of basic salary; they also participate in an unfunded defined contribution Supplemental Executive Retirement Plan (SERP) also in respect of basic salary to which contributions are made at an agreed rate, offset by contributions to other retirement plans.

Since 1991, it has been your Board's policy that non-executive Directors do not receive pensions. A defined benefit scheme was in operation prior to 1991 in which one current non-executive Director still participates.

Directors' Service Contracts

No executive Director has an employment contract extending beyond twelve months.

Directors' Remuneration and Interests in Share Capital

Details of Directors' remuneration charged against profit in the year are given on page 52. Details of individual remuneration and pension benefits for the year ended 31st December 2005 are given on page 53. Directors' share options and shareholdings are shown on page 54 and page 55 respectively.

Review of Compensation Arrangements

During 2005, the *Remuneration Committee*, with the assistance of external advisers, undertook a thorough review of the Group's compensation arrangements for executive Directors and senior managers, the structure of which has been largely unchanged since the 1990s. The review took account of the global nature of the Group's business; the success of the Group in continuing its record of performance and growth as a world industry leader; the need to have competitive compensation packages which will attract and retain international managers of the highest calibre; changes in the accounting treatment of long-term incentive schemes and developments in market practice in relation to these schemes. Arising from this review, the *Remuneration Committee* has agreed changes to compensation arrangements as outlined below. These changes are effective for 2006 and subsequent years.

Performance-related cash incentive plan

The review concluded that the existing performance-related cash incentive plan was no longer competitive and as a result the *Remuneration Committee* has decided to increase the limits under this plan to reflect current market practice.

With effect for 2006 and subsequent years, the performance-related cash incentive plan will be totally based on achieving clearly defined and stretch annual profit targets and strategic goals with an approximate weighting of 80% for profits and 20% for personal and strategic goals. At target performance payout will be 80% of basic salary for Europe-based participants and 90% of basic salary for United States-based participants. A maximum payout of 1.5 times these levels will be payable for a level of performance well in excess of target.

Under the previous arrangements all earnings under the performance-related cash incentive plan were paid out when earned. However, in view of the increased potential awards, the *Remuneration Committee* has decided that going forward up to one-third of the earned bonus in each year should be receivable in CRH shares and deferred for a period of three years, with forfeiture in the event of departure from the Group in certain circumstances during that time period.

Performance Share Plan/Share Option Scheme

Long-term incentive plans involving conditional awards of shares are now a common part of executive remuneration packages, motivating high performance and aligning the interests of executives and shareholders. The *Remuneration Committee* concluded that CRH should introduce a Performance Share Plan tied to Total Shareholder Return (TSR) over a three-year period. Half of the award will be assessed against TSR for a group of global building materials companies and the other half against TSR for the constituents of the Eurofirst 300 Index. An earnings per share growth underpin of the Irish Consumer Price Index plus 5% per annum will also be applied. The maximum award under the Performance Share Plan will be 150% of basic salary per annum, in the form of conditional shares and the vesting period will be three years. The award would lapse if over the three-year period CRH's TSR was below the median of the peer group/index; 30% of the award would vest if CRH's performance was equal to the median while 100% would vest if CRH's performance was equal to or greater than the 75th percentile. For performance between the 50th and the 75th percentiles, between 30% and 100% of the award would vest on a straight-line basis.

The *Remuneration Committee* believes that the introduction of the Performance Share Plan to reflect changing market practices, for companies of a similar size and complexity with large operations in Europe and the United States, will ensure that CRH can continue to recruit, retain and motivate high quality executives across its global areas of operation.
A summary of the principal features of the proposed Performance Share Plan is included in the circular to shareholders which seeks approval for the plan at the forthcoming Annual General Meeting.

In the light of the introduction of the Performance Share Plan, the *Remuneration Committee* has decided that no further Second Tier share options will be granted under the existing share option scheme; however, Basic Tier options will continue to be issued.

Directors' remuneration

Notes		2005 €000	2004 €000
	Executive Directors		
	Basic salary	**3,473**	3,593
	Cash incentive bonus	**2,220**	2,204
	Pension benefits expense	**508**	803
	Other remuneration	**130**	46
	Benefits	**115**	95
1		**6,446**	6,741
2	Provision for Chief Executive long-term incentive plan	**462**	53
	Total executive Directors' remuneration	**6,908**	6,794
	Average number of executive Directors	**5.00**	5.78
	Non-executive Directors		
	Fees	**417**	396
	Other remuneration	**474**	447
1	Total non-executive Directors' remuneration	**891**	843
	Average number of non-executive Directors	**8.34**	8.60
3	Payments to former Directors	**127**	249
	Total Directors' remuneration	**7,926**	7,886

Notes to Directors' remuneration

1 See analysis of 2005 remuneration by individual on page 53.

2 As set out on page 50, the Chief Executive has a special long-term incentive plan tied to the achievement of exceptional growth and key strategic goals for the two-year period ending December 2006, with a total maximum earnings potential of 40% of aggregate basic salary. While provision is made at 40% in respect of this plan for 2005, there is no commitment to any payment until after employment to the full term has been completed. This plan succeeds and is similar in structure to the special long-term incentive plan which applied for the five-year period ended December 2004. As set out in the 2004 Annual Report, the actual earnings under this earlier five-year plan amounted to €1,446,665, payment of which was made in 2005. Annual provisions of 40% of basic salary were made in respect of this plan for the years 2000 through 2003 amounting in total to €1,394,000. Accordingly the balance of €52,665 was provided in 2004 and reflected in total 2004 Directors' remuneration.

3 Consulting and other fees paid to a number of former Directors.

Individual remuneration for the year ended 31st December 2005

	Basic salary and fees	Incentive bonus (i)	Pension benefits expense	Other remuneration (ii)	Benefits (iii)	Total 2005	Total 2004
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	€'000
Executive Directors							
D.W. Doyle (iv)	**535**	**333**	**137**	**-**	**24**	**1,029**	867
B.G. Hill (vii)	**-**	**-**	**-**	**-**	**-**	**-**	764
T.W. Hill	**635**	**494**	**127**	**-**	**16**	**1,272**	1,026
M. Lee	**525**	**334**	**119**	**-**	**15**	**993**	870
W.I. O'Mahony	**1,155**	**747**	**-**	**-**	**23**	**1,925**	2,039
J.L. Wittstock	**623**	**312**	**125**	**130**	**37**	**1,227**	1,175
	3,473	**2,220**	**508**	**130**	**115**	**6,446**	6,741
Non-executive Directors							
D. Godson (v)	**-**	**-**	**-**	**-**	**-**	**-**	21
N. Hartery (vi)	**50**	**-**	**-**	**15**	**-**	**65**	30
J.M. de Jong (iv)	**50**	**-**	**-**	**15**	**-**	**65**	57
D.M. Kennedy	**50**	**-**	**-**	**24**	**-**	**74**	69
H.E. Kilroy (v)	**-**	**-**	**-**	**-**	**-**	**-**	21
K. McGowan	**50**	**-**	**-**	**40**	**-**	**90**	83
P.J. Molloy	**50**	**-**	**-**	**300**	**-**	**350**	320
T.V. Neill (iv)	**50**	**-**	**-**	**15**	**-**	**65**	57
A. O'Brien	**50**	**-**	**-**	**40**	**-**	**90**	83
J.M.C. O'Connor (vi)	**50**	**-**	**-**	**15**	**-**	**65**	30
W.P. Roef (viii)	**17**	**-**	**-**	**10**	**-**	**27**	72
	417	**-**	**-**	**474**	**-**	**891**	843

(i) **Incentive bonus** Under the executive Directors' cash incentive plan for 2005, a bonus is payable for meeting clearly defined and stretch profit targets and strategic goals. The structure of the 2005 incentive plan is set out on page 50.

(ii) **Other remuneration** *Executive Director:* Expatriate and housing allowance for Mr. J.L. Wittstock. *Non-executive Directors:* Includes remuneration for Chairman and for Board Committee work.

(iii) **Benefits** These relate principally to the use of company cars and medical/life assurance.

(iv) Mr. D.W. Doyle, Mr. J.M. de Jong and Mr. T.V. Neill became Directors on 19th January 2004.

(v) Mr. D. Godson and Mr. H.E. Kilroy retired from the Board on 5th May 2004.

(vi) Mr. N. Hartery and Dr. J.M.C. O'Connor became Directors on 29th June 2004.

(vii) Mr. B.G. Hill retired on 31st October 2004.

(viii) Mr. W.P. Roef retired on 4th May 2005.

Pension entitlements - defined benefit

Pension benefits earned by Directors during the year and the accumulated total accrued pension at 31st December 2005 were as follows:

	Increase in accrued pension during 2005 (ix)	Transfer value of increase (x)	Total accrued pension at year-end (xi)
	€'000	**€'000**	**€'000**
Executive Directors			
D.W. Doyle	**37**	**647**	**349**
M. Lee	**29**	**371**	**241**
W.I. O'Mahony	**7**	**73**	**770**
Non-executive Director			
D.M. Kennedy	**1**	**12**	**19**

(ix) The increase in accrued pension during the year excludes inflation.

(x) The transfer value of the increase in accrued pension has been calculated on the basis of actuarial advice. These transfer values do not represent sums paid or due, but are the amounts that the pension scheme would transfer to another pension scheme in relation to the benefits accrued in 2005 in the event of the member leaving service.

(xi) Accrued pension shown is that which would be paid annually on normal retirement date, based on service to the end of the year.

Pension entitlements - defined contribution

The accumulated liability related to the unfunded Supplemental Executive Retirement Plan for Mr. T.W. Hill and Mr. J.L. Wittstock is as follows:

	As at 31st December 2004	2005 contribution	2005 notional interest (xii)	Translation adjustment	As at 31st December 2005
	€'000	**€'000**	**€'000**	**€'000**	**€'000**
Executive Directors					
T.W. Hill	**525**	**104**	**35**	**89**	**753**
J.L. Wittstock	**550**	**113**	**37**	**93**	**793**

(xii) Notional interest, which is calculated based on the average bid yields of United States Treasury fixed-coupon securities with remaining terms to maturity of approximately 20 years, plus 1.5%, is credited to the individual accounts each year.

Directors' interests in share capital at 31st December 2005

The interests of the Directors and Secretary in the shares of the Company, which are beneficial unless otherwise indicated, are shown below. Between 31st December 2005 and 6th March 2006, there were no transactions in the Directors' and Secretary's interests.

The Directors and Secretary have no beneficial interests in any of the Group's subsidiary, joint venture or associated undertakings.

Ordinary Shares	31st December 2005	31st December 2004
Directors		
D.W. Doyle	**183,649**	160,937
N. Hartery	**1,000**	1,000
T.W. Hill	**72,183***	71,508*
J.M. de Jong	**3,049**	3,011
D.M. Kennedy	**55,925**	55,203
- Non-beneficial	**9,250**	9,250
M. Lee	**205,428**	204,829
K. McGowan	**7,822**	7,720
P.J. Molloy	**13,191**	13,020
T.V. Neill	**51,031**	51,031
A. O'Brien	**2,566**	2,531
J.M.C. O'Connor	**1,000**	1,000
W.I. O'Mahony	**497,004**	496,373
J.L. Wittstock	**77,259**	76,017
Secretary		
A. Malone	**27,654**	21,762
	1,208,011	1,175,192

* Mr. T.W. Hill's shareholding as at 31st December 2005 and 31st December 2004 includes 21,726 shares which are held in the form of American Depository Receipts (ADRs). One ADR represents one Ordinary Share of the Company.

The Company's Register of Directors' Interests contains full details of Directors' shareholdings and options to subscribe for shares.

Directors' share options

Details of movements on outstanding options and those exercised during the year are set out in the table below:

	31st December 2004	Granted in 2005	Exercised in 2005	31st December 2005	
D.W. Doyle	94,069	-	16,126	77,943	(a)
	117,465	-	38,423	79,042	(b)
	185,000	-	-	185,000	(c)
	56,000	-	-	56,000	(d)
	1,128	-	-	1,128	(e)
B.G. Hill	125,000	-	125,000	-	(c)
T.W. Hill	54,890	-	-	54,890	(a)
	82,335	-	-	82,335	(b)
	195,000	35,000	-	230,000	(c)
	195,000	-	-	195,000	(d)
M. Lee	67,899	-	-	67,899	(a)
	70,863	-	-	70,863	(b)
	125,000	50,000	-	175,000	(c)
	125,000	-	-	125,000	(d)
	1,211	-	-	1,211	(e)
W.I. O'Mahony	285,428	-	-	285,428	(a)
	323,851	-	-	323,851	(b)
	320,000	-	-	320,000	(c)
	250,000	-	-	250,000	(d)
J.L. Wittstock	123,728	-	-	123,728	(a)
	214,071	-	-	214,071	(b)
	195,000	35,000	-	230,000	(c)
	195,000	-	-	195,000	(d)
	3,402,938	120,000	179,549	3,343,389	

Weighted average option price at 31st December 2005	Options exercised during 2005	
	Weighted average exercise price	Weighted average market price at date of exercise
€	€	€
13.71	6.53	23.09
12.09	6.53	23.09
15.90		
19.28		
10.63		
	18.84	20.76
18.01		
18.01		
17.66		
17.07		
15.86		
12.16		
17.71		
16.48		
16.09		
12.40		
11.41		
17.47		
18.84		
13.32		
12.91		
17.64		
17.07		

Options by price

€	31st December 2004	Granted in 2005	Exercised in 2005	31st December 2005		Earliest exercise date	Expiry date
6.5347	123,387	-	16,126	107,261	(a)	March 2006	April 2006
6.5347	164,670	-	38,423	126,247	(b)	March 2006	April 2006
7.0899	16,467	-	-	16,467	(a)	March 2006	April 2007
7.0899	54,890	-	-	54,890	(b)	March 2006	April 2007
7.1015	43,912	-	-	43,912	(a)	March 2006	April 2007
7.1015	87,824	-	-	87,824	(b)	March 2006	April 2007
12.6416	64,770	-	-	64,770	(a)	March 2006	April 2008
12.6416	106,487	-	-	106,487	(b)	March 2006	April 2008
14.5652	30,738	-	-	30,738	(a)	March 2006	April 2009
14.5652	27,994	-	-	27,994	(b)	March 2006	April 2009
14.6563	54,890	-	-	54,890	(a)	March 2006	April 2009
14.6563	109,780	-	-	109,780	(b)	March 2006	April 2009
17.2615	182,070	-	-	182,070	(a)	March 2006	April 2010
17.2615	92,270	-	-	92,270	(b)		April 2010
18.0084	109,780	-	-	109,780	(a)	March 2006	April 2010
18.0084	164,670	-	-	164,670	(b)		April 2010
18.28	370,000	-	75,000	295,000	(c)	March 2006	April 2011
18.28	311,000	-	-	311,000	(d)		April 2011
19.68	295,000	-	50,000	245,000	(c)	March 2006	April 2012
19.68	265,000	-	-	265,000	(d)		April 2012
13.15	180,000	-	-	180,000	(c)	April 2006	April 2013
13.15	40,000	-	-	40,000	(d)		April 2013
13.26	100,000	-	-	100,000	(c)	April 2006	April 2013
13.26	100,000	-	-	100,000	(d)		April 2013
16.71	130,000	-	-	130,000	(c)		April 2014
16.71	35,000	-	-	35,000	(d)		April 2014
16.73	70,000	-	-	70,000	(c)		April 2014
16.73	70,000	-	-	70,000	(d)		April 2014
20.79	-	85,000	-	85,000	(c)		April 2015
20.91	-	35,000	-	35,000	(c)		April 2015
16.09	1,211	-	-	1,211	(e)	June 2007	November 2007
10.63	1,128	-	-	1,128	(e)	June 2006	November 2006
	3,402,938	120,000	179,549	3,343,389			

No options lapsed during the year.

The market price of the Company's shares at 31st December 2005 was €24.85 and the range during 2005 was €18.87 to €24.85.

(a) Granted under the 1990 share option scheme, these options are only exercisable when earnings per share (EPS) growth exceeds the growth of the Irish Consumer Price Index over a period of at least three years subsequent to the granting of the options.

(b) Granted under the 1990 share option scheme, these options are only exercisable if, over a period of at least five years subsequent to the granting of the options, the growth in EPS would place the Company in the top 25% of the companies listed in the FTSE 100 Stock Exchange Equity Index.

(c) Granted under the 2000 share option scheme, these options are only exercisable when EPS growth exceeds the growth of the Irish Consumer Price Index by 5% compounded over a period of at least three years subsequent to the granting of the options.

(d) Granted under the 2000 share option scheme, these options are only exercisable if, over a period of at least five years subsequent to the granting of the options, the growth in EPS exceeds the growth of the Irish Consumer Price Index by 10% compounded and places the Company in the top 25% of EPS performance of a peer group of international building materials companies. If below the 75th percentile, these options are not exercisable.

(e) Granted under the 2000 savings-related share option scheme.

Statement of Directors' Responsibilities

in respect of the financial statements

Company law in the Republic of 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 the financial statements of the Group, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- comply with applicable International Financial Reporting Standards, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The considerations set out above for the Group are also required to be addressed by the Directors in preparing the financial statements of the Company (which are set out on pages 116 and 117), in respect of which the applicable accounting standards are those which are generally accepted in the Republic of Ireland.

The Directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements of the Group are prepared in accordance with applicable International Financial Reporting Standards and comply with the provisions of the Companies Acts, 1963 to 2005, and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' Report

to the members of CRH public limited company

We have audited the Group and Company financial statements (the "financial statements") of CRH plc for the year ended 31st December 2005 which comprise the Group Income Statement, the Group Statement of Recognised Income and Expense, the Group and Company Balance Sheets, the Group Cash Flow Statement, the related notes 1 to 36 (Group) and the related notes 1 to 6 (Company). These financial statements have been prepared under the accounting policies set out therein.

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.

Respective responsibilities of Directors and Auditors
The Directors are responsible for the preparation of the Group financial statements in accordance with applicable Irish law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and for the preparation of the Company financial statements in accordance with applicable Irish law and Accounting Standards promulgated by the Accounting Standards Board and published by the Institute of Chartered Accountants in Ireland ("Generally Accepted Accounting Practice" in Ireland) as 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 (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Acts, 1963 to 2005 and whether, in addition, the Group financial statements have been properly prepared in accordance with Article 4 of the IAS Regulation. We also report to you our opinion as to: whether proper books of account have been kept by the Company; whether, at the balance sheet date, there exists a financial situation which may require 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 necessary for the purposes of our audit and whether the Company 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 other 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 2003 Financial Reporting Council's 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 other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the Chairman's Statement, Chief Executive's Review, Operations Reviews, Finance Review 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 (UK 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 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 IFRSs as adopted by the European Union, of the state of affairs of the Group as at 31st December 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Acts, 1963 to 2005 and Article 4 of the IAS Regulation.

In our opinion, the Company financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of affairs of the Company as at 31st December 2005 and have been properly prepared in accordance with the Companies Acts, 1963 to 2005.

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.

In our opinion, the Company Balance Sheet does not disclose 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.

Ernst & Young
Registered Auditors
Dublin
6th March 2006

Group Income Statement

for the financial year ended 31st December 2005

Notes		2005 €m	2004 €m
1	**Revenue**	**14,449.3**	12,754.5
	Cost of sales	**(9,901.7)**	(8,717.4)
	Gross profit	**4,547.6**	4,037.1
3	Operating costs	**(3,155.3)**	(2,816.9)
1, 4, 5	**Group operating profit**	**1,392.3**	1,220.2
1	Profit on disposal of fixed assets	**19.8**	10.8
1	Profit before finance costs	**1,412.1**	1,231.0
8	Finance costs	**(297.4)**	(264.3)
8	Finance revenue	**138.3**	117.9
9	Group share of associates' profit after tax	**25.9**	19.4
	Profit before tax	**1,278.9**	1,104.0
10	Income tax expense	**(272.6)**	(232.2)
	Group profit for the financial year	**1,006.3**	871.8
	Profit attributable to:		
	Equity holders of the Company	**997.9**	866.1
31	Minority interest	**8.4**	5.7
	Group profit for the financial year	**1,006.3**	871.8
12	**Basic earnings per Ordinary Share**	**186.7c**	163.6c
12	**Diluted earnings per Ordinary Share**	**185.2c**	162.7c

Group Statement of Recognised Income and Expense

for the financial year ended 31st December 2005

Notes		2005 €m	2004 €m
	Items of income and expense recognised directly within equity:		
	Currency translation effects	**413.4**	(179.9)
27	Actuarial loss on Group defined benefit pension obligations	**(86.1)**	(119.2)
10	Deferred tax asset on Group defined benefit pension obligations	**21.7**	31.3
10	Deferred tax asset on employee share options	**12.3**	-
	Gains/(losses) relating to cash flow hedges	**2.7**	(0.3)
10	Deferred tax liability on cash flow hedges	**(0.7)**	-
	Net income/(expense) recognised directly within equity	**363.3**	(268.1)
	Group profit for the financial year	**1,006.3**	871.8
	Total recognised income and expense for the financial year	**1,369.6**	603.7
	Attributable to:		
	Equity holders of the Company	**1,360.4**	599.8
	Minority interest	**9.2**	3.9
	Total recognised income and expense for the financial year	**1,369.6**	603.7

P.J. Molloy, W.I. O'Mahony, Directors

Group Balance Sheet

as at 31st December 2005

Notes		2005 €m	2004 €m
	ASSETS		
	Non-current assets		
13	Property, plant and equipment	**6,823.5**	5,830.6
14	Intangible assets	**2,252.5**	1,774.1
15	Investments in associates	**527.6**	178.8
15	Other financial assets	**106.9**	113.2
23	Derivative financial instruments	**154.8**	173.2
26	Deferred income tax assets	**466.5**	335.3
	Total non-current assets	**10,331.8**	8,405.2
	Current assets		
17	Inventories	**1,722.6**	1,308.9
18	Trade and other receivables	**2,476.4**	1,973.1
23	Derivative financial instruments	**30.7**	1.1
21	Liquid investments	**342.5**	311.7
21	Cash and cash equivalents	**1,148.6**	1,072.0
	Total current assets	**5,720.8**	4,666.8
	Total assets	**16,052.6**	13,072.0
	EQUITY		
	Capital and reserves attributable to the Company's equity holders		
29	Equity share capital	**182.3**	181.0
29	Preference share capital	**1.2**	1.2
30	Share premium account	**2,208.3**	2,149.3
30	Other reserves	**37.4**	23.5
30	Foreign currency translation reserve	**233.5**	(179.9)
30	Retained income	**3,532.7**	2,770.1
		6,195.4	4,945.2
31	Minority interest	**38.3**	34.2
	Total equity	**6,233.7**	4,979.4
	LIABILITIES		
	Non-current liabilities		
22	Interest-bearing loans and borrowings	**4,524.5**	3,802.4
23	Derivative financial instruments	**13.5**	51.9
26	Deferred income tax liabilities	**1,184.5**	987.4
19	Trade and other payables	**187.6**	122.0
27	Retirement benefit obligations	**450.5**	349.7
25	Provisions for liabilities and charges	**223.0**	182.3
28	Capital grants	**12.1**	12.4
	Total non-current liabilities	**6,595.7**	5,508.1
	Current liabilities		
19	Trade and other payables	**2,254.4**	1,742.1
	Current income tax liabilities	**271.5**	284.5
22	Interest-bearing loans and borrowings	**582.3**	251.4
23	Derivative financial instruments	**4.6**	210.4
25	Provisions for liabilities and charges	**110.4**	96.1
	Total current liabilities	**3,223.2**	2,584.5
	Total liabilities	**9,818.9**	8,092.6
	Total equity and liabilities	**16,052.6**	13,072.0

P.J. Molloy, W.I. O'Mahony, Directors

Group Cash Flow Statement

for the financial year ended 31st December 2005

Notes		2005 €m	2004 €m
	Cash flows from operating activities		
	Group operating profit	**1,392.3**	1,220.2
13	Depreciation charge	**555.8**	515.9
7	Employee share options expense	**13.9**	9.7
14	Amortisation of intangible assets	**9.1**	4.1
25	Net movement on provisions	**11.8**	(12.0)
20	Increase in working capital	**(149.4)**	(78.6)
28	Amortisation of capital grants	**(2.0)**	(2.2)
	Other non-cash movements	**2.9**	(10.3)
	Cash generated from operations	**1,834.4**	1,646.8
	Interest paid (including finance leases)	**(184.0)**	(156.5)
	Income taxes paid:		
	Irish corporation tax	**(13.3)**	(17.1)
	Overseas corporation tax	**(246.2)**	(188.1)
	Net cash inflow from operating activities	**1,390.9**	1,285.1
	Cash flows from investing activities		
	Inflows		
16	Proceeds from disposal of fixed assets	**102.8**	102.3
	Interest received	**43.4**	22.6
28	Capital grants received	**1.5**	0.2
	Dividends received from associates	**14.2**	8.0
	Total inflows	**161.9**	133.1
	Outflows		
13	Purchase of property, plant and equipment	**(652.1)**	(550.7)
28	Repayment of capital grants	**-**	(0.5)
33	Acquisition of subsidiaries and joint ventures	**(808.3)**	(711.4)
15	Investments in and advances to associates	**(298.9)**	(6.0)
15	Advances to joint ventures and purchase of trade investments	**(7.7)**	(5.0)
20	Deferred and contingent acquisition consideration paid	**(45.3)**	(57.3)
	Total outflows	**(1,812.3)**	(1,330.9)
	Net cash outflow from investing activities	**(1,650.4)**	(1,197.8)
	Cash flows from financing activities		
	Inflows		
30	Proceeds from issue of shares	**39.5**	36.6
31	Shares issued to minority interests	**0.3**	-
	Increase in interest-bearing loans and borrowings	**796.8**	584.2
	Increase in finance lease liabilities	**6.5**	56.2
	Total inflows	**843.1**	677.0
	Outflows		
30	Expenses paid in respect of share issues	**(0.2)**	(0.3)
24	Increase in liquid investments	**(15.0)**	(25.2)
	Repayment of interest-bearing loans and borrowings	**(250.0)**	(477.8)
	Repayment of finance lease liabilities	**(12.9)**	(24.4)
24	Net cash movement in derivative financial instruments	**(102.8)**	(62.2)
11	Dividends paid to equity holders of the Company	**(164.2)**	(119.6)
11	Dividends paid to minority interests	**(9.4)**	(2.6)
	Total outflows	**(554.5)**	(712.1)
	Net cash inflow/(outflow) from financing activities	**288.6**	(35.1)
	Increase in cash and cash equivalents	**29.1**	52.2
	Reconciliation of opening to closing cash and cash equivalents		
24	Cash and cash equivalents at 1st January	**1,072.0**	1,040.9
24	Translation adjustment	**47.5**	(20.1)
	Increase in cash and cash equivalents	**29.1**	52.2
24	Joint venture becoming an associate	**-**	(1.0)
24	**Cash and cash equivalents at 31st December**	**1,148.6**	1,072.0

A reconciliation of cash and cash equivalents to net debt is presented in note 24 to the financial statements.

P.J. Molloy, W.I. O'Mahony, Directors

Statement of compliance
The consolidated financial statements of CRH plc have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, which comprise standards and interpretations approved by the 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 the IASB and remain in effect.

IFRS as adopted by the European Union differ in certain respects from IFRS as issued by the IASB. However, the consolidated financial statements for the financial years presented would be no different had IFRS as issued by the IASB been applied. References to IFRS hereafter should be construed as references to IFRS as adopted by the European Union.

These consolidated financial statements are the Group's first financial statements to be prepared in accordance with IFRS. An explanation of how the transition to IFRS has impacted the reported financial position, financial performance and cash flows of the Group is provided in note 34 to the consolidated financial statements.

Basis of preparation
The consolidated financial statements, which are presented in euro millions to one decimal place, have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and the measurement at fair value of share options and derivative financial instruments. The carrying values 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 accounting policies set out below have been applied consistently by all the Group's subsidiaries, joint ventures and associates to all periods presented in these consolidated financial statements and in preparing the opening IFRS Balance Sheet as at 1st January 2004 for the purposes of the transition to IFRS reporting.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. In addition, it requires management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, relate primarily to accounting for defined benefit pension schemes, financial instruments, share-based payments, provisions, tangible assets, intangible assets, goodwill impairment and deferred tax and are documented in the relevant accounting policies below.

The financial year-ends of the Group's subsidiaries, joint ventures and associates are coterminous.

Adoption of IFRSs
Standards adopted during the financial year
The Group has adopted the following standards during the financial year ended 31st December 2005 and comparative figures have been amended as required: IAS 1 *Presentation of Financial Statements*; IAS 2 *Inventories;* IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*; IAS 10 *Events after the Balance Sheet Date*; IAS 16 *Property, Plant and Equipment*; IAS 17 *Leases*; IAS 21 *The Effects of Changes in Foreign Exchange Rates*; IAS 24 *Related Party Disclosures*; IAS 27 *Consolidated and Separate Financial Statements*; IAS 28 *Investments in Associates;* IAS 31 *Interests in Joint Ventures;* and IAS 33 *Earnings per Share*.

Early adoption
The Group elected to pursue early implementation of IAS 32 *Financial Instruments: Disclosure and Presentation* and IAS 39 *Financial Instruments: Recognition and Measurement* with effect from 1st January 2004 (the transition date to IFRS) taking account of the prohibition on the fair valuation of financial liabilities imposed by the version of IAS 39 approved by the European Union. Given the delay encountered in securing European Union approval, the effective date of the revised versions of IAS 32 and IAS 39 was 1st January 2005 with no requirement to present prior year comparatives for 2004.

In addition, the Group decided to avail of early application of the Amendment to IAS 19 *Actuarial Gains and Losses, Group Plans and Disclosures* which enables the recognition of actuarial gains and losses through retained income. Accordingly, the revised disclosure requirements inherent in this Amendment have been reflected in the Group financial statements for the year ended 31st December 2005.

IFRSs and IFRIC Interpretations which are not yet effective
The Group has not applied the following IFRSs and IFRIC Interpretations that have been issued but are not yet effective:
- IFRS 6 *Exploration for and Evaluation of Mineral Resources*;
- IFRS 7 *Financial Instruments: Disclosures*;
- Amendment to IAS 1 *Capital Disclosures*;
- Amendment to IAS 39 *Cash Flow Hedge Accounting of Forecast Intragroup Transactions*;
- Amendment to IAS 39 *The Fair Value Option*;
- Amendment to IAS 39 *Transition and Initial Recognition of Financial Assets and Financial Liabilities*;
- Amendment to IAS 39 and IFRS 4 *Financial Guarantee Contracts*;
- IFRIC Interpretation 4 *Determining whether an Arrangement contains a Lease*;
- IFRIC Interpretation 5 *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*; and
- IFRIC Interpretation 8 *Scope of IFRS 2*.

Basis of consolidation
The consolidated financial statements include the financial statements of the Company and all subsidiaries, joint ventures and associates, drawn up to 31st December each year.

Subsidiaries
The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control over the operating and financial decisions is obtained and cease to be consolidated from the date on which control is transferred out of the Group. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain economic benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered in determining the existence or otherwise of control.

Joint ventures
In line with the benchmark accounting methodology in IAS 31 *Interests in Joint Ventures*, the Group's share of results and net assets of joint ventures, which are entities in which the Group holds an interest on a long-term basis and which are jointly controlled by the Group and one or more other venturers under a contractual arrangement, are accounted for on the basis of proportionate consolidation from the date on which the contractual agreements stipulating joint control are finalised and are derecognised when joint control ceases. All of the Group's joint ventures are jointly controlled entities within the meaning of IAS 31. The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements.

Loans to joint ventures are classified as loans and receivables within financial assets and are recorded at amortised cost.

Associates
Entities other than subsidiaries and joint ventures in which the Group has a participating interest, and over whose operating and financial policies the Group is in a position to exercise a significant influence, are accounted for as associates using the equity method and are included in the consolidated financial statements from the date on which the exercise of significant influence is deemed to arise until the date on which such influence ceases to exist. If the Group's share of losses exceeds the carrying amount of an associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

Equity method
Under the equity method, which is used in respect of accounting for the Group's investments in associates, the Income Statement reflects the Group's share of profit after tax of the related associates. Investments in associates are carried in the Group Balance Sheet at cost adjusted in respect of post-acquisition changes in the Group's share of net assets, less any impairment in value. Where indicators of impairment arise in accordance with the requirements of IAS 39 *Financial Instruments: Recognition and Measurement*, the carrying amount of the investment is tested for impairment by comparing its recoverable amount with its carrying amount.

Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealised gains arising from such transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with joint ventures and associates are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same manner as unrealised gains, but only to the extent that there is no evidence of impairment.

Revenue recognition
Revenue represents the value of goods and services supplied to external customers and excludes intercompany sales, trade discounts and value added tax/sales 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 buyer. 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.

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 under IAS 14 *Segment Reporting*. Geographical segmentation is therefore the secondary segment.

Foreign currency translation
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in euro, which is the presentation currency of the Group and the functional currency of the Company.

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All currency translation differences are taken to the Income Statement with the exception of differences on foreign currency borrowings, to the extent that they are used to finance or to provide a hedge against foreign equity investments, which are taken directly to equity together with the exchange difference on the carrying amount of the related investments. Translation differences applicable to foreign currency borrowings are taken directly to equity until disposal of the net investment, at which time they are recycled through the Income Statement.

Results and cash flows of subsidiaries, joint ventures and associates based in non-euro countries have been translated into euro at average exchange rates for the year, and the related balance sheets have been translated at the rates of exchange ruling at the balance sheet date. Adjustments arising on translation of the results of non-euro subsidiaries, joint ventures and associates at average rates, and on restatement of the opening net assets at closing rates, are dealt with in a separate translation reserve within equity, net of differences on related currency borrowings. All other translation differences are taken to the Income Statement.

On disposal of a foreign operation, accumulated currency translation differences are recognised in the Income Statement as part of the overall gain or loss on disposal; the cumulative currency translation differences arising prior to the transition date have been set to zero for the purposes of ascertaining the gain or loss on disposal of a foreign operation subsequent to 1st January 2004. Goodwill and fair value adjustments arising on acquisition of a foreign operation are regarded as assets and liabilities of the foreign operation, are expressed in the functional currency of the foreign operation and are recorded at the exchange rate at the date of the transaction and subsequently retranslated at the applicable closing rates.

Translation differences arising after the transition date to IFRS (1st January 2004) are presented as a separate component of equity in the foreign currency translation reserve in the Group Balance Sheet.

The principal exchange rates used for the translation of results, cash flows and balance sheets into euro were as follows:

	Average		**Year-end**	
euro 1 =	**2005**	2004	**2005**	2004
US Dollar	**1.2438**	1.2439	**1.1797**	1.3621
Pound Sterling	**0.6838**	0.6787	**0.6853**	0.7051
Polish Zloty	**4.0224**	4.5268	**3.8600**	4.0845
Swiss Franc	**1.5483**	1.5438	**1.5551**	1.5429
Canadian Dollar	**1.5082**	1.6167	**1.3725**	1.6416
Argentine Peso	**3.6356**	3.6572	**3.5868**	4.0488
Israeli Shekel	**5.5781**	5.5723	**5.4503**	5.8641

Retirement benefit obligations
The Group operates defined contribution and defined benefit pension schemes in a number of its operating areas. In addition, the Group has also undertaken to provide certain additional post-employment healthcare and life assurance benefits, which are unfunded, to certain current and former employees in the United States.

Costs arising in respect of the Group's defined contribution pension schemes are charged to the Income Statement in the period in which they are incurred. Under these schemes, the Group has no obligation, either legal or constructive, to pay further contributions in the event that the fund does not hold sufficient assets to meet its benefit commitments.

The liabilities and costs associated with the Group's defined benefit pension schemes (both funded and unfunded) are assessed on the basis of the projected unit credit method by professionally qualified actuaries and are arrived at using actuarial assumptions based on market expectations at the balance sheet date. The discount rates employed in determining the present value of the schemes' liabilities are determined by reference to market yields at the balance sheet date on high-quality corporate bonds of a currency and term consistent with the currency and term of the associated post-employment benefit obligations. When the benefits of a defined benefit scheme are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the Income Statement on a straight-line basis over the average period until the benefits become vested. To the extent that the enhanced benefits vest immediately, the related expense is recognised immediately in the Income Statement. The net surplus or deficit arising on the Group's defined benefit pension schemes, together with the liabilities associated with the unfunded schemes, are shown either within non-current assets or liabilities on the face of the Group Balance Sheet. The deferred tax impact of pension scheme surpluses and deficits is disclosed separately within deferred tax assets or liabilities, as appropriate. The Group has elected to avail of the Amendment to IAS 19 *Actuarial Gains and Losses, Group Plans and Disclosures* to recognise post transition date actuarial gains and losses immediately in the Statement of Recognised Income and Expense.

In relation to the Group's defined benefit pension schemes, a full actuarial valuation is undertaken on an annual basis, where local requirements mandate that this be done, and at triennial intervals at a maximum in all other cases.

The defined benefit pension asset or liability in the Group Balance Sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high-quality corporate bonds) less any past service cost not yet recognised and less the fair value of plan assets (measured at bid value) out of which the obligations are to be settled directly.

The Group's obligation in respect of post-employment healthcare and life assurance benefits represents the amount of future benefit that employees have earned in return for service in the current and prior periods. The obligation is computed on the basis of the projected unit credit method and is discounted to present value using a discount rate equating to the market yield at the balance sheet date on high-quality corporate bonds of a currency and term consistent with the currency and estimated term of the post-employment obligations.

In accordance with the exemption granted under IFRS 1, IAS 19 has not been applied retrospectively in preparing the Group's Transition Balance Sheet to IFRS. All cumulative actuarial gains and losses as at the transition date (1st January 2004) have therefore been recognised in retained income at that date.

Employee share options

The Group's policy in relation to the granting of share options and the nature of the non-market performance and other vesting conditions attaching to those options is addressed in the Report on Directors' Remuneration on page 50.

For equity-settled share-based payment transactions (i.e. the issuance of share options), the Group measures the services received and the corresponding increase in equity at fair value at the measurement date (which is the grant date) using a recognised valuation methodology for the pricing of financial instruments (i.e. the trinomial model). Given that the share options granted do not vest until the completion of a specified period of service and are subject to the realisation of demanding performance conditions, the fair value is determined on the basis that the services to be rendered by employees as consideration for the granting of share options will be received over the vesting period, which is assessed as at the grant date.

The share options issued by the Company are not subject to market-based vesting conditions as defined in the IFRS. Non-market vesting conditions are not taken into account when estimating the fair value of share options as at the grant date; such conditions are taken into account through adjusting the number of equity instruments included in the measurement of the transaction amount so that, ultimately, the amount recognised equates to the number of equity instruments that actually vest. The expense in the Income Statement in relation to share options represents the product of the total number of options anticipated to vest and the fair value of those options; this amount is allocated to accounting periods on a straight-line basis over the vesting period. Given that the performance conditions underlying the Group's share options are non-market in nature, the cumulative charge to the Income Statement is reversed only where the performance condition is not met or where an employee in receipt of share options relinquishes service prior to completion of the expected vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

In line with the transitional provisions applicable to a first-time adopter of International Financial Reporting Standards, as contained in IFRS 2 *Share-based Payment*, the Group has elected to implement the measurement requirements of the IFRS in respect of share options that were granted after 7th November 2002 that had not vested as at the effective date of the standard (1st January 2005). In accordance with the standard, the disclosure requirements of IFRS 2 have been applied in relation to all outstanding share-based payments regardless of their grant date.

To the extent that the Group receives a tax deduction relating to the services paid in shares, deferred tax in respect of share options is provided on the basis of the difference between the market price of the underlying equity as at the date of the financial statements and the exercise price of the option; as a result, the deferred tax impact of share options will not directly correlate with the expense reported in the Group Income Statement.

The Group has no exposure in respect of cash-settled share-based payment transactions and share-based payment transactions with cash alternatives as defined in IFRS 2.

Property, plant and equipment

With the exception of the one-time revaluation of land and buildings noted below, items of property, plant and equipment are stated at historical cost less any accumulated depreciation and any accumulated impairments.

Depreciation and depletion

Depreciation is calculated to write off the book value of each item of property, plant and equipment over its useful economic life on a straight-line basis at the following rates:

Land and buildings:	The book value of mineral-bearing land, less an estimate of its residual value, is depleted over the period of the mineral extraction in the proportion which production for the year bears to the latest estimates of mineral reserves. Land other than mineral-bearing land is not depreciated. In general, buildings are depreciated at 2.5% p.a.
Plant and machinery:	These are depreciated at rates ranging from 3.3% p.a. to 20% p.a. depending on the type of asset.
Transport:	In general, transport equipment is depreciated at 20% p.a.

Certain items of property, plant and equipment 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 residual values and useful lives of property, plant and equipment are reviewed, and adjusted if appropriate, at each balance sheet date.

Impairment of tangible assets
In accordance with IAS 36 *Impairment of Assets*, the carrying values of items of property, plant and equipment are reviewed for impairment at each reporting date and are subject to impairment testing when events or changes in circumstances indicate that the carrying values may not be recoverable. Where the carrying values exceed the estimated recoverable amount (being the greater of fair value less costs to sell and value-in-use), the assets or cash-generating units are written-down to their recoverable amount. Fair value less costs to sell is defined as the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable and willing parties, less the costs which would be incurred in disposal. Value-in-use is defined as the present value of the future cash flows expected to be derived through the continued use of an asset or cash-generating unit including those anticipated to be realised on its eventual disposal. 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 which the future cash flow estimates have not been adjusted. The estimates of future cash flows exclude cash inflows or outflows attributable to financing activities and income tax. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined by reference to the cash-generating unit to which the asset belongs.

Repair and maintenance expenditure
Repair and maintenance expenditure is included in an asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenditure is charged to the Income Statement during the financial period in which it is incurred.

Borrowing costs
Borrowing costs incurred in the construction of assets which take a substantial period of time to complete are expensed in the period in which they are incurred.

Business combinations
The purchase method of accounting is employed in accounting for the acquisition of subsidiaries, joint ventures and associates by the Group.

The Group has elected to avail of the exemption under IFRS 1 *First-time Adoption of International Financial Reporting Standards* whereby business combinations prior to the transition date (1st January 2004) are not restated. IFRS 3 *Business Combinations* has been applied with effect from the transition date and goodwill amortisation ceased from that date.

The cost of a business combination is measured as the aggregate of the fair values at the date of exchange of assets given, liabilities incurred or assumed and equity instruments issued in exchange for control together with any directly attributable expenses. To the extent that settlement of all or any part of a business combination is deferred, the fair value of the deferred component is determined through discounting the amounts payable to their present value at the date of exchange. The discount component is unwound as an interest charge in the Income Statement over the life of the obligation.

Where a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the amount of the adjustment is included in the cost at the acquisition date if the adjustment can be reliably measured. Contingent consideration is included in the acquisition balance sheet on a discounted basis.

The assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. In the case of a business combination which is completed in stages, the fair values of the identifiable assets, liabilities and contingent liabilities are determined at the date of each exchange transaction.

When the initial accounting for a business combination is determined provisionally, any adjustments to the provisional values allocated to the identifiable assets, liabilities and contingent liabilities are made within twelve months of the acquisition date.

The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

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

Under previous GAAP, goodwill was capitalised and related amortisation based on a presumed maximum useful life of 20 years was charged against operating income in the Income Statement on a straight-line basis from the date of initial recognition. Positive goodwill was stated at cost less accumulated amortisation and any impairment in value.

In addition, under previous GAAP, goodwill arising prior to 1st January 1998 was written-off immediately against reserves and was not reinstated on implementation of Financial Reporting Standard 10 *Goodwill and Intangible Assets*. In accordance with IFRS 1, this goodwill has not been recognised as goodwill in the IFRS Transition Balance Sheet (i.e. remains eliminated against reserves) and will be disregarded in computing the gain or loss on disposal of any subsidiary to which this goodwill relates.

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. Save for retrospective restatement of deferred tax in accordance with IAS 12 *Income Taxes*, no adjustments were required in respect of the classification and accounting treatment of business combinations undertaken prior to the transition date in preparing the opening IFRS Balance Sheet as at 1st January 2004. In line with the provisions applicable to a first-time adopter under IFRS 3, goodwill amortisation ceased with effect from the transition date.

The carrying amount of goodwill in respect of associates is included in investments in associates under the equity method in the Group Balance Sheet. Goodwill applicable to jointly controlled entities is accounted for on the basis of proportionate consolidation and is therefore included in the goodwill caption in the Group Balance Sheet, net of any impairments assessed in accordance with the methodology discussed below.

Where a subsidiary is terminated through closure or disposed of, any goodwill arising on acquisition, net of any impairments, and which has not been amortised through the Income Statement, is included in the determination of the profit or loss arising on termination or disposal.

To the extent that the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired exceeds the cost of a business combination, the identification and measurement of the related assets, liabilities and contingent liabilities

are revisited accompanied by a reassessment of the cost of the transaction, and any remaining balance is recognised immediately in the Income Statement.

Goodwill was tested for impairment as at 1st January 2004 (the date of transition to IFRS) and no impairment resulted from this exercise.

Goodwill acquired in a business combination is allocated, from the acquisition date, to the cash-generating units that are anticipated to benefit from the combination's synergies. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. The cash-generating units represent the lowest level within the Group at which the associated goodwill is monitored for internal management purposes and are not larger than the primary and secondary reporting segments determined in accordance with IAS 14 *Segment Reporting*. Goodwill is subject to impairment testing on an annual basis and at any time during the year if an indicator of impairment is considered to exist; the goodwill impairment tests are undertaken at a consistent time in each annual period. 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. In the year in which a business combination is effected, and where some or all of the goodwill allocated to a particular cash-generating unit arose in respect of that combination, the cash-generating unit is tested for impairment prior to the end of the relevant annual period. Impairment losses arising in respect of goodwill are not reversed following recognition.

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

Intangible assets (other than goodwill)

An intangible asset, which is an identifiable non-monetary asset without physical substance, is recognised to the extent that it is probable that the expected future economic benefits attributable to the asset will flow to the Group and that its cost can be measured reliably. The asset is deemed to be identifiable when it is separable (i.e. capable of being divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability) or when it arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the Group or from other rights and obligations.

Intangible assets acquired as part of a business combination are capitalised separately from goodwill if the intangible asset meets the definition of an asset and the fair value can be reliably measured on initial recognition.

Subsequent to initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The carrying values of definite-lived intangible assets are reviewed for indicators of impairment at each reporting date and are subject to impairment testing when events or changes in circumstances indicate that the carrying values may not be recoverable.

The amortisation of intangible assets is calculated to write-off the book value of definite-lived intangible assets over their useful lives on a straight-line basis on the assumption of zero residual value. In general, definite-lived intangible assets are amortised over periods ranging from one to ten years, depending on the nature of the intangible asset.

Investments

All investments are initially recognised at the fair value of the consideration given inclusive of any acquisition charges arising.

Where investments are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date. Where it is impracticable to determine fair value in accordance with IAS 39, unquoted equity investments are recorded at historical cost and are included within financial assets on this basis in the Group Balance Sheet.

Leases

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have transferred to the Group, and hire purchase contracts are capitalised in the Balance Sheet and are depreciated over their useful lives with any impairment being recognised in accumulated depreciation. The asset is recorded at an amount equal to the lower of its fair value and the present value of the minimum lease payments at the inception of the finance lease. The capital elements of future obligations under leases and hire purchase contracts are included in liabilities in the Balance Sheet and analysed between current and non-current amounts. The interest elements of the rental obligations are charged to the Income Statement over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding in line with the effective yield methodology.

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

Inventories and construction contracts

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in, first-out principle (and weighted average, where appropriate) and includes all expenditure incurred in acquiring the inventories and bringing them to their present location and condition. Raw materials are valued on the basis of purchase cost on a first-in, first-out basis. In the case of finished goods and work-in-progress, cost includes direct materials, direct labour and attributable overheads based on normal operating capacity and excludes borrowing costs. Net realisable value is the estimated proceeds of sale less all further costs to completion, and less all costs to be incurred in marketing, selling and distribution.

Contract costs are recognised as incurred. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is immediately recognised as an expense. The percentage-of-completion method is used to determine the appropriate amount to recognise in a particular reporting period with the stage of completion assessed by reference to the proportion that contract costs incurred at the balance sheet date bear to the total estimated cost of the contract.

Amounts recoverable on construction contracts, which are included in debtors, are stated at the net sales value of the work done less amounts received as progress payments on account. Cumulative costs incurred, net of amounts transferred to cost of sales, after deducting foreseeable losses, provision for contingencies and payments on account not matched with turnover, are included as construction contract balances in inventories. Cost includes all expenditure related

directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Trade and other receivables and payables
Trade and other receivables and payables are stated at cost, which approximates fair value given the short-dated nature of these assets and liabilities.

Trade receivables are carried at original invoice amount less an allowance for potentially uncollectible debts. Provision is made when there is objective evidence that the Group will not be in a position to collect the associated debts. Bad debts are written-off in the Income Statement on identification.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances held for the purposes of meeting short-term cash commitments and investments which are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Where investments are categorised as cash equivalents, the related balances have a maturity of three months or less from the date of acquisition. In addition, for the purposes of the Group Cash Flow Statement, bank overdrafts are netted against cash and cash equivalents where the overdrafts are repayable on demand and form an integral part of cash management. Bank overdrafts are included within current interest-bearing loans and borrowings in the Group Balance Sheet.

Liquid investments comprise short-term deposits and current asset investments which are held as readily disposable stores of value and include investments in government gilts and commercial paper and deposits of less than one year in duration. Given that the maturity of these investments falls outside the three months timeframe for classification as cash and cash equivalents under IAS 7 *Cash Flow Statements*, the related balances have been treated as financial assets and have been categorised as either fair value through profit and loss or loans and receivables.

Derivative financial instruments
The Group employs derivative financial instruments (principally interest rate and currency swaps and forward foreign exchange contracts) to manage interest rate risks and to realise the desired currency profile of borrowings. In accordance with its treasury policy, the Group does not trade in financial instruments nor does it enter into leveraged derivative transactions.

At the inception of a transaction entailing the usage of derivatives, the Group documents the relationship between the hedged item and the hedging instrument together with its risk management objective and the strategy underlying the proposed transaction. The Group also documents its assessment, both at the inception of the hedging relationship and subsequently on an ongoing basis, of the effectiveness of the hedge in offsetting movements in the fair values or cash flows of the hedged items.

Derivative financial instruments are initially recognised at cost and are thereafter stated at fair value. Where derivatives do not fulfil the criteria for hedge accounting, they are classified as held-for-trading and changes in fair values are reported in the Income Statement. The fair value of interest rate and currency swaps is the estimated amount the Group would pay or receive to terminate the swap at the balance sheet date taking into account current interest and currency rates and the creditworthiness of the swap counterparties. The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles and equates to the quoted market price at the balance sheet date (being the present value of the quoted forward price).

Hedging

Fair value and cash flow hedges
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 which satisfy the conditions for hedge accounting, any gain or loss stemming from the re-measurement of the hedging instrument to fair value is reported in the Income Statement. In addition, any gain or loss on the hedged item which is attributable to the hedged risk is adjusted against the carrying amount of the hedged item and reflected in the Income Statement. Where the adjustment is to the carrying amount of a hedged interest-bearing financial instrument, the adjustment is amortised to the Income Statement with the objective of achieving full amortisation by maturity.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised liability or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised as a separate component of equity with the ineffective portion being reported in the Income Statement. When a firm commitment or forecast transaction results in the recognition of an asset or a liability, the cumulative gain or loss is removed from equity and included in the initial measurement of the non-financial asset or liability. Otherwise, the associated gains or losses that had previously been recognised in equity are transferred to the Income Statement contemporaneous with the materialisation of the hedged transaction. Any gain or loss arising in respect of changes in the time value of the derivative financial instrument is excluded from the measurement of hedge effectiveness and is recognised immediately in the Income Statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised as a separate component of equity is kept in equity until the forecast transaction occurs. If a hedged transaction is no longer anticipated to occur, the net cumulative gain or loss recognised in equity is transferred to the Income Statement in the period.

Hedges of monetary assets and liabilities
Where a derivative financial instrument is used to economically hedge the foreign exchange exposure of a recognised monetary asset or liability, hedge accounting is not applied and any gain or loss accruing on the hedging instrument is recognised in the Income Statement.

Net investment hedges
Where foreign currency borrowings provide a hedge against a net investment in a foreign operation, foreign exchange differences are taken directly to a foreign currency translation reserve (being a separate component of equity). Cumulative gains and losses remain in equity until disposal of the net investment in the foreign operation at which point the related differences are transferred to the Income Statement as part of the overall gain or loss on sale.

Interest-bearing loans and borrowings
All loans and borrowings are initially recorded at cost being the fair value of the consideration received net of attributable transaction costs.

Subsequent to initial recognition, current and non-current interest-bearing loans and borrowings are measured at amortised cost employing the effective interest yield methodology. The computation of amortised cost includes any issue costs and any discount or premium materialising on settlement. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Gains and losses are recognised in the Income Statement through amortisation on the basis of the period of the loans and borrowings and/or on impairment and derecognition of the associated loans and borrowings.

Provisions

A provision is recognised on a discounted basis when: the Group has a present obligation (either legal or constructive) as a result of a past event; it is probable that a transfer of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. Where the Group anticipates that a provision will be reimbursed, the reimbursement is recognised as a separate asset when it is virtually certain that the reimbursement will arise. Provisions are not recognised in respect of future operating losses.

Provisions arising on business combination activity are accordingly recognised only to the extent that they would have qualified for recognition in the financial statements of the acquiree prior to acquisition.

Tax (current and deferred)

Current tax represents the expected tax payable (or recoverable) on the taxable profit for the year using tax rates enacted or substantively enacted at the balance sheet date and taking into account any adjustments stemming from prior years.

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

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

- where the deferred tax liability arises from the initial recognition of goodwill (but including subsequent measurement of tax-deductible goodwill) or the initial recognition of an asset or a liability in a transaction that is not a business combination and affects neither the accounting profit nor the taxable profit or loss at the time of the transaction; and
- where, in respect of taxable temporary differences associated with investments in subsidiaries and joint ventures, the timing of the reversal of the temporary difference is subject to control and it is probable that reversal will not materialise in the foreseeable future.

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

- where the deferred tax asset arises from the initial recognition of an asset or a liability in a transaction that is not a business combination and affects neither the accounting profit nor the taxable profit or loss at the time of the transaction; and
- where, in respect of deductible temporary differences associated with investments in subsidiaries, joint ventures and associates, a deferred tax asset is recognised only if it is probable that the deductible temporary difference will reverse in the foreseeable future and that sufficient taxable profits will be available against which the temporary difference can be utilised.

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

Where items are accounted for directly through equity (for example, in the context of certain derivative financial instruments and actuarial gains and losses on defined benefit pension schemes), the related income tax is charged or credited to equity. In all other circumstances, income tax is recognised in the Income Statement.

Capital grants

Capital grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions have been complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is treated as a deferred credit and is released to the Income Statement over the expected useful life of the relevant asset through equal annual instalments.

Share capital

Preference share capital

Preference share capital is classified as equity on the basis that the share capital is not mandatorily redeemable.

Dividends

Dividends on Ordinary Shares are recognised as a liability in the Group's financial statements in the period in which they are declared by the Company.

Emission rights

Emission rights are accounted for on a liability basis such that a liability is recognised only in circumstances where emission rights have been exceeded and the differential between actual and permitted emissions will have to be remedied through the purchase of the required additional rights at fair value. Voluntary application of IFRIC Interpretation 3 *Emission Rights* has therefore not been availed of in the Group financial statements.

1. Segment Information

Analysis by class of business and by geography

The Group is analysed into four Divisions, two in Europe: Materials and Products & Distribution; and two in the Americas: Materials in the United States and Products & Distribution in the United States, Canada, Argentina and Chile. These activities comprise three reporting business segments as follows:

Materials businesses are involved in the production of cement, aggregates, asphalt and readymixed concrete.
Products businesses are involved in the production of concrete products and a range of construction-related products and services.
Distribution businesses are engaged in the marketing and sale of builders' supplies to the construction industry and of materials and products for the DIY market.

Intersegment revenue is not material.

Income Statement items	**Continuing operations - year ended 31st December**									
	Materials		**Products**		**Distribution**		**Total Products & Distribution**		**Total Group**	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
Segment revenue	**€m**	€m	**€m**	€m	**€m**	€m	**€m**	€m	**€m**	€m
Europe	**2,646.2**	2,306.8	**2,533.4**	2,245.0	**2,192.9**	1,904.1	**4,726.3**	4,149.1	**7,372.5**	6,455.9
Americas	**3,164.7**	2,823.2	**2,755.9**	2,461.6	**1,156.2**	1,013.8	**3,912.1**	3,475.4	**7,076.8**	6,298.6
	5,810.9	5,130.0	**5,289.3**	4,706.6	**3,349.1**	2,917.9	**8,638.4**	7,624.5	**14,449.3**	12,754.5

Segment revenue includes €2,014.0 million (2004 : €1,755.3 million) in respect of revenue applicable to construction contracts.

	Materials		**Products**		**Distribution**		**Total Products & Distribution**		**Total Group**	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
Group operating profit										
Europe	**377.0**	320.2	**175.6**	190.7	**123.4**	121.4	**299.0**	312.1	**676.0**	632.3
Americas	**328.2**	273.9	**307.6**	250.7	**80.5**	63.3	**388.1**	314.0	**716.3**	587.9
	705.2	594.1	**483.2**	441.4	**203.9**	184.7	**687.1**	626.1	**1,392.3**	1,220.2
Profit/(loss) on disposal of fixed assets										
Europe	**8.8**	0.2	**1.8**	0.8	**(0.8)**	(2.2)	**1.0**	(1.4)	**9.8**	(1.2)
Americas	**9.7**	5.7	**(0.1)**	4.8	**0.4**	1.5	**0.3**	6.3	**10.0**	12.0
	18.5	5.9	**1.7**	5.6	**(0.4)**	(0.7)	**1.3**	4.9	**19.8**	10.8
Segment result (profit before finance costs)										
Europe	**385.8**	320.4	**177.4**	191.5	**122.6**	119.2	**300.0**	310.7	**685.8**	631.1
Americas	**337.9**	279.6	**307.5**	255.5	**80.9**	64.8	**388.4**	320.3	**726.3**	599.9
	723.7	600.0	**484.9**	447.0	**203.5**	184.0	**688.4**	631.0	**1,412.1**	1,231.0
Finance costs									**(297.4)**	(264.3)
Finance revenue									**138.3**	117.9
Group share of associates' profit after tax (i)									**25.9**	19.4
Profit before tax									**1,278.9**	1,104.0
Income tax expense									**(272.6)**	(232.2)
Group profit for the financial year									**1,006.3**	871.8

(i) This figure comprises €17.8 million (2004 : €13.4 million) in Europe Materials, €0.3 million in Europe Products (2004 : nil), €7.4 million in Europe Distribution (2004 : €5.6 million) and €0.4 million (2004 : €0.4 million) in Americas Materials.

1. Segment Information *continued*

Balance Sheet items

	Continuing operations - year ended 31st December									
	Materials		Products		Distribution		Total Products & Distribution		Total Group	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
Segment assets	**€m**	€m	**€m**	€m	**€m**	€m	**€m**	€m	**€m**	€m
Europe	**2,768.1**	2,640.6	**2,689.0**	2,294.6	**1,332.1**	1,137.5	**4,021.1**	3,432.1	**6,789.2**	6,072.7
Americas	**3,806.4**	2,852.0	**2,187.0**	1,629.9	**492.4**	332.1	**2,679.4**	1,962.0	**6,485.8**	4,814.0
	6,574.5	5,492.6	**4,876.0**	3,924.5	**1,824.5**	1,469.6	**6,700.5**	5,394.1	**13,275.0**	10,886.7

Reconciliation to total assets as reported in the Group Balance Sheet

	2005	2004
Investments in associates	**527.6**	178.8
Derivative financial instruments (current and non-current)	**185.5**	174.3
Other financial assets	**106.9**	113.2
Deferred income tax assets	**466.5**	335.3
Liquid investments	**342.5**	311.7
Cash and cash equivalents	**1,148.6**	1,072.0
Total assets as reported in the Group Balance Sheet	**16,052.6**	13,072.0

Segment liabilities	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
Europe	**748.5**	661.2	**791.8**	612.2	**343.5**	293.4	**1,135.3**	905.6	**1,883.8**	1,566.8
Americas	**630.6**	418.3	**527.1**	391.3	**184.4**	115.8	**711.5**	507.1	**1,342.1**	925.4
	1,379.1	1,079.5	**1,318.9**	1,003.5	**527.9**	409.2	**1,846.8**	1,412.7	**3,225.9**	2,492.2

Reconciliation to total liabilities as reported in the Group Balance Sheet

	2005	2004
Interest-bearing loans and borrowings (current and non-current)	**5,106.8**	4,053.8
Derivative financial instruments (current and non-current)	**18.1**	262.3
Income tax liabilities (current and deferred)	**1,456.0**	1,271.9
Capital grants	**12.1**	12.4
Total liabilities as reported in the Group Balance Sheet	**9,818.9**	8,092.6

1. Segment Information *continued*

Other segment information

	Continuing operations – year ended 31st December									
	Materials		Products		Distribution		Total Products & Distribution		Total Group	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	€m	€m	**€m**	€m	**€m**	€m	**€m**	€m	**€m**	€m
Capital expenditure										
Europe	**156.8**	123.1	**113.2**	104.7	**40.2**	43.7	**153.4**	148.4	**310.2**	271.5
Americas	**176.7**	144.0	**145.5**	120.8	**19.7**	14.4	**165.2**	135.2	**341.9**	279.2
Total capital expenditure	**333.5**	267.1	**258.7**	225.5	**59.9**	58.1	**318.6**	283.6	**652.1**	550.7
Depreciation included in segment result										
Europe	**129.0**	125.5	**126.8**	114.1	**31.6**	30.0	**158.4**	144.1	**287.4**	269.6
Americas	**164.8**	151.3	**93.4**	86.1	**10.2**	8.9	**103.6**	95.0	**268.4**	246.3
Total depreciation	**293.8**	276.8	**220.2**	200.2	**41.8**	38.9	**262.0**	239.1	**555.8**	515.9
Amortisation of intangible assets included in segment result										
Europe	**-**	-	**1.5**	0.3	**0.4**	0.3	**1.9**	0.6	**1.9**	0.6
Americas	**-**	-	**5.8**	2.8	**1.4**	0.7	**7.2**	3.5	**7.2**	3.5
Total amortisation	**-**	-	**7.3**	3.1	**1.8**	1.0	**9.1**	4.1	**9.1**	4.1

Geographical analysis

The following is a geographical analysis of the segmental data presented above with Ireland (including Northern Ireland) and the Benelux (which comprises Belgium, the Netherlands and Luxembourg) separately analysed on the basis of the aggregation thresholds contained in IAS 14:

	Continuing operations - year ended 31st December									
	Ireland		Benelux		Rest of Europe		Americas		Total Group	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	€m	€m	**€m**	€m	**€m**	€m	**€m**	€m	**€m**	€m
Income Statement items										
Segment revenue	**1,164.1**	1,056.2	**2,468.6**	2,166.8	**3,733.8**	3,221.8	**7,082.8**	6,309.7	**14,449.3**	12,754.5
Group operating profit	**148.4**	142.7	**186.2**	195.1	**340.6**	293.4	**717.1**	589.0	**1,392.3**	1,220.2
Profit/(loss) on disposal of fixed assets	**8.1**	0.6	**0.4**	0.6	**1.3**	(2.4)	**10.0**	12.0	**19.8**	10.8
Segment result (profit before finance costs)	**156.5**	143.3	**186.6**	195.7	**341.9**	291.0	**727.1**	601.0	**1,412.1**	1,231.0
Balance Sheet items										
Segment assets	**741.7**	701.6	**2,029.0**	1,999.2	**4,018.9**	3,371.9	**6,485.4**	4,814.0	**13,275.0**	10,886.7
Segment liabilities	**313.8**	337.8	**469.3**	479.3	**1,100.7**	749.7	**1,342.1**	925.4	**3,225.9**	2,492.2
Other segment information										
Capital expenditure	**55.9**	48.4	**72.3**	72.8	**182.1**	150.3	**341.8**	279.2	**652.1**	550.7
Depreciation	**44.5**	44.0	**78.9**	75.4	**164.0**	150.2	**268.4**	246.3	**555.8**	515.9
Amortisation	**-**	-	**1.2**	0.1	**0.7**	0.5	**7.2**	3.5	**9.1**	4.1

2. Proportionate Consolidation of Joint Ventures

Impact on Group Income Statement

Year ended 31st December	**2005**	2004
	€m	€m
Group share of:		
Revenue	**617.8**	474.4
Cost of sales	**(392.8)**	(301.9)
Gross profit	**225.0**	172.5
Operating costs	**(143.6)**	(110.1)
Operating profit	**81.4**	62.4
Profit on disposal of fixed assets	**0.8**	1.5
Profit before finance costs	**82.2**	63.9
Finance costs (net)	**(13.6)**	(11.7)
Profit before tax	**68.6**	52.2
Income tax expense	**(18.9)**	(11.7)
Group profit for the financial year	**49.7**	40.5

Impact on Group Balance Sheet

As at 31st December	**2005**	2004
Group share of:		
Non-current assets	**826.3**	745.9
Current assets	**311.4**	252.5
Total assets	**1,137.7**	998.4
Total equity	**535.6**	441.3
Non-current liabilities	**380.6**	378.4
Current liabilities	**221.5**	178.7
Total liabilities	**602.1**	557.1
Total equity and liabilities	**1,137.7**	998.4
Net debt included above (see cash flow impact below for analysis)	**(271.2)**	(257.0)

Impact on Group Cash Flow Statement

Year ended 31st December	**2005**	2004
Group share of:		
Net cash inflow from operating activities	**77.0**	63.5
Net cash outflow from investing activities	**(127.6)**	(20.5)
Net cash inflow/(outflow) from financing activities	**62.2**	(15.5)
Net increase in cash and cash equivalents	**11.6**	27.5
Cash and cash equivalents at 1st January	**61.3**	35.0
Translation adjustment	**0.6**	(0.2)
Joint venture becoming an associate	**-**	(1.0)
Cash and cash equivalents at 31st December	**73.5**	61.3

Reconciliation of cash and cash equivalents to net debt

	2005	2004
Cash and cash equivalents as above	**73.5**	61.3
Interest-bearing loans and borrowings (current and non-current)	**(344.7)**	(318.3)
Net debt at 31st December	**(271.2)**	(257.0)

The Group's share of net debt in joint ventures of €271.2 million at the balance sheet date (2004 : €257.0 million) is non-recourse to the Group.

3. Operating Costs

	2005 €m	2004 €m
Selling and distribution costs	**1,827.5**	1,599.5
Administrative expenses	**1,315.6**	1,216.1
Other operating expenses	**23.1**	17.6
Other operating income	**(10.9)**	(16.3)
Total	**3,155.3**	2,816.9

Other operating expenses and income comprise the following charges/(credits):

	2005 €m	2004 €m
Other operating expenses		
Expensing of employee share options (note 7)	**13.9**	9.7
Amortisation of intangible assets (note 14)	**9.1**	4.1
Mark-to-market of undesignated derivative financial instruments:		
- energy hedges	**-**	3.7
- forward foreign currency contracts	**0.1**	0.1
Total	**23.1**	17.6
Other operating income		
Excess of fair value of identifiable net assets over consideration paid (note 14)	**(4.3)**	(10.9)
Mark-to-market of undesignated derivative financial instruments:		
- energy hedges	**(1.1)**	(0.2)
- forward foreign currency contracts	**(0.1)**	(0.4)
Income from financial assets	**(3.4)**	(2.6)
Capital grants released (note 28)	**(2.0)**	(2.2)
Total	**(10.9)**	(16.3)

4. Group Operating Profit

Group operating profit has been arrived at after charging the following amounts (including the Group's share of joint ventures accounted for on the basis of proportionate consolidation):

	2005 €m	2004 €m
(i) Depreciation		
- included in cost of sales	**329.7**	305.2
- included in operating costs	**226.1**	210.7
Total	**555.8**	515.9
(ii) Foreign exchange gains and losses (net)		
- included in cost of sales	**0.1**	0.4
- included in operating costs	**(0.5)**	0.4
Total	**(0.4)**	0.8
(iii) Operating lease rentals		
- hire of plant and machinery	**49.6**	48.9
- land and buildings	**79.3**	73.1
- other operating leases	**35.8**	21.1
Total	**164.7**	143.1

4. Group Operating Profit *continued*

	2005	2004
	€m	€m
(iv) Auditors' remuneration (included in administrative expenses):		
- audit fees	**9.1**	6.6
Non-audit services comprising the following:		
- Sarbanes-Oxley Section 404 preparatory work	**0.5**	0.2
- taxation advice and compliance	**0.6**	0.9
- acquisition-related financial due diligence	**0.1**	0.1
- other advice	**0.2**	0.4

In addition to the due diligence fees expensed in the Income Statement, €0.7 million (2004 : €1.4 million) has been capitalised in the acquisition balance sheets for the respective years.

5. Directors' Emoluments and Interests

Directors' emoluments and interests (which are included in administrative expenses above) are given in the Report on Directors' Remuneration on pages 50 to 55 inclusive of this Annual Report.

6. Employment

The average number of employees (including CRH's proportionate share of employees in joint ventures) by business segment and by principal operating region is as follows:

Year ended 31st December 2005	**Materials**	**Products**	**Distribution**	**Total Products & Distribution**	**Total Group**
Europe	**11,605**	**14,579**	**6,497**	**21,076**	**32,681**
Americas	**14,493**	**16,339**	**2,953**	**19,292**	**33,785**
Total	**26,098**	**30,918**	**9,450**	**40,368**	**66,466**
Year ended 31st December 2004					
Europe	11,256	13,394	7,038	20,432	31,688
Americas	13,915	15,130	2,760	17,890	31,805
Total	25,171	28,524	9,798	38,322	63,493

Employment costs charged against Group operating profit (including the Group's share of joint ventures applying proportionate consolidation) are analysed as follows:

	2005	2004
	€m	€m
Wages and salaries	**2,222.9**	2,055.6
Social welfare costs	**278.5**	233.8
Other employment-related costs	**262.1**	250.4
Expensing of employee share options (note 7)	**13.9**	9.7
Total pension costs (note 27)	**163.2**	124.5
Total	**2,940.6**	2,674.0
Total charge analysed between:		
Cost of sales	**1,383.3**	1,203.3
Operating costs	**1,557.3**	1,470.7
Total	**2,940.6**	2,674.0

7. Employee Share Options

The Group's employee share options are equity-settled share-based payments as defined in IFRS 2 *Share-based Payment*. The IFRS requires that a recognised valuation methodology be employed to determine the fair value of share options granted and stipulates that this methodology should be consistent with methodologies used for the pricing of financial instruments. The expense reported in the Income Statement of €13.9 million (2004 : €9.7 million) has been arrived at through applying the trinomial model, which is a lattice option-pricing model.

The general terms and conditions applicable to the share options granted by CRH under the 2000 share option scheme and the savings-related share option schemes are addressed on page 50 of the Report on Directors' Remuneration and in this note.

Impact on Income Statement

In line with the transitional provisions applicable to a first-time adopter of International Financial Reporting Standards, as contained in IFRS 1 and IFRS 2, the Group has elected to implement the measurement requirements of the IFRS in respect of share options that were granted after 7th November 2002 that had not vested as at the effective date of the standard (1st January 2005). As a result of these provisions, and given that options to acquire Ordinary Shares in the Company are traditionally granted in April of each year, the expense disclosed in the Income Statement relates to options granted in April 2003 and in the subsequent years.

The total expense is analysed as follows:

	Grant price	Duration of vesting period	Number of options	Weighted average fair value	Expense in Income Statement 2005 €m	2004 €m
Granted in 2003						
Share option schemes	€13.15 / €13.26 / Stg£9.06	3 and 5 years	4,620,600	€3.63	**4.5**	4.5
Savings-related share option schemes	€10.63 / Stg£7.18	3 and 5 years	891,713	€3.73	**0.8**	0.8
Granted in 2004						
Share option schemes	€16.71 / €16.73 / Stg£11.13	3 and 5 years	4,750,100	€4.37	**5.5**	4.1
Savings-related share option schemes	€14.45 / Stg£9.66	3 and 5 years	266,680	€4.67	**0.3**	0.3
Granted in 2005						
Share option schemes	€20.79 / €20.91 / Stg£14.37	3 years	2,484,300	€4.32	**2.6**	-
Savings-related share option schemes	€17.99 / Stg£12.38	3 and 5 years	201,077	€5.41	**0.2**	-
					13.9	9.7

€0.9 million (2004 : €0.7 million) of the total expense reported in the Income Statement relates to the Directors.

Details of options granted under the 1990 and 2000 share option schemes

A summary of activity under the Company's share option schemes in the two years ended 31st December 2005 and 31st December 2004 together with the weighted average exercise price of the share options is as follows:

Share options	Weighted average exercise price	Number of Options 2005	Weighted average exercise price	Number of Options 2004
Outstanding at beginning of year	**€16.11 / Stg£10.11**	**26,687,557**	€15.51 / Stg£10.11	25,099,317
Granted (a)	**€20.85 / Stg£14.37**	**2,484,300**	€16.72 / Stg£11.13	4,750,100
Exercised	**€13.51 / Stg£8.25**	**(2,246,031)**	€11.18 / Stg£10.20	(2,591,355)
Lapsed	**€17.11 / Stg£11.24**	**(491,682)**	€17.22 / Stg£11.23	(570,505)
Outstanding at end of year	**€16.75 / Stg£11.32**	**26,434,144**	€16.11 / Stg£10.11	26,687,557
Exercisable at end of year	**€14.41 / Stg£9.31**	**5,614,157**	€13.92 / Stg£8.74	7,418,969

(a) Pursuant to the 2000 share option scheme, employees were granted options over 2,484,300 (2004 : 4,750,100) of the Company's Ordinary Shares on 11th April 2005 and 2nd April 2004 respectively. This figure comprises options over 2,484,300 (2004 : 2,443,350) shares and nil (2004 : 2,306,750) shares which may be exercised after the expiration of three years and five years respectively from the dates of grant of those options, subject to specified EPS growth targets being achieved. All options granted have a life of ten years.

7. Employee Share Options *continued*

Analysis of closing balance - outstanding at end of year

		31st December 2005		31st December 2004	
	Exercise prices	**Number of options**	**Actual remaining life (years)**	Number of options	Actual remaining life
Options by exercise price					
€ options	**€6.53**	**307,714**	**0.3**	829,716	1.3
	€7.09	**148,973**	**1.3**	230,844	2.3
	€7.10	**410,616**	**1.3**	462,505	2.3
	€12.64	**878,537**	**2.3**	1,104,770	3.3
	€14.57	**543,256**	**3.3**	697,226	4.3
	€14.66	**875,772**	**3.3**	947,055	4.3
	€17.26	**2,222,394**	**4.3**	2,753,429	5.3
	€18.01	**2,178,620**	**4.3**	2,379,463	5.3
	€18.28	**3,429,399**	**5.3**	3,710,936	6.3
	€19.68	**3,896,179**	**6.3**	4,165,185	7.3
	€13.15	**2,297,968**	**7.3**	2,367,268	8.3
	€13.26	**1,983,500**	**7.3**	2,083,000	8.3
	€16.71	**2,600,199**	**8.3**	2,634,199	9.3
	€16.73	**1,986,000**	**8.3**	2,059,000	9.3
	€20.79	**1,320,990**	**9.3**	-	-
	€20.91	**1,121,000**	**9.3**	-	-
Stg£ options	**Stg£5.33**	**16,467**	**0.3**	40,619	1.3
	Stg£5.41	**-**	**-**	5,544	2.3
	Stg£8.22	**1,825**	**2.3**	4,580	3.3
	Stg£9.82	**-**	**-**	2,859	4.3
	Stg£10.99	**40,105**	**4.3**	69,282	5.3
	Stg£11.16	**54,601**	**5.3**	58,564	6.3
	Stg£12.04	**53,546**	**6.3**	54,340	7.3
	Stg£9.06	**12,732**	**7.3**	12,732	8.3
	Stg£11.13	**14,441**	**8.3**	14,441	9.3
	Stg£14.37	**39,310**	**9.3**	-	-
Total outstanding as at 31st December		**26,434,144**		26,687,557	

Analysis of closing balance - exercisable at end of year

		31st December 2005		31st December 2004	
	Exercise prices	**Number of options**	**Actual remaining life (years)**	Number of options	Actual remaining life
Options by exercise price					
€ options	**€6.53**	**307,714**	**0.3**	829,716	1.3
	€7.09	**148,973**	**1.3**	230,844	2.3
	€7.10	**410,616**	**1.3**	462,505	2.3
	€12.64	**878,537**	**2.3**	1,104,770	3.3
	€14.57	**543,256**	**3.3**	697,226	4.3
	€14.66	**875,772**	**3.3**	947,055	4.3
	€17.26	**1,123,991**	**4.3**	1,590,256	5.3
	€18.01	**1,266,901**	**4.3**	1,433,713	5.3
Stg£ options	**Stg£5.33**	**16,467**	**0.3**	40,619	1.3
	Stg£5.41	**-**	**-**	5,544	2.3
	Stg£8.22	**1,825**	**2.3**	4,580	3.3
	Stg£9.82	**-**	**-**	2,859	4.3
	Stg£10.99	**40,105**	**4.3**	69,282	5.3
Total exercisable as at 31st December		**5,614,157**		7,418,969	

7. Employee Share Options *continued*

The weighted average fair values assigned to options granted under the Company's 2000 share option scheme, which were computed in accordance with the trinomial valuation methodology, were as follows:

	Denominated in			
	€ 3-year	**€ 5-year**	**Stg£* 3-year**	**Stg£* 5-year**
Granted during 2003 (amounts in €)	3.60	3.67	3.59	n/a
Granted during 2004 (amounts in €)	4.04	4.73	4.03	n/a
Granted during 2005 (amounts in €)	**4.32**	**n/a**	**4.31**	**n/a**

*€ *equivalents at the date of grant*

The fair values of options granted under the 2000 share option scheme were determined using the following assumptions:

	2005		2004		2003	
	3-year	**5-year**	3-year	5-year	3-year	5-year
Weighted average exercise price (amounts in €)	**20.84**	**n/a**	16.72	16.72	13.20	13.20
Risk-free interest rate (%)	**3.03**	**n/a**	3.30	3.66	3.42	3.83
Expected dividend payments over the expected life (€ cent)	**260.74**	**n/a**	222.50	365.20	189.46	310.98
Expected volatility (%)	**23.3**	**n/a**	27.4	28.2	31.9	28.0
Expected life in years	**5**	**n/a**	5	7	5	7

The expected volatility was determined using an historical sample of 61 month-end CRH share prices in respect of the three-year share options and 85 month-end share prices in respect of the five-year share options. Share options are granted at market value at the date of grant. The expected lives of the options are based on historical data and are therefore not necessarily indicative of exercise patterns that may materialise.

Other than the assumptions listed above, no other features of options grants were factored into the determination of fair value.

The terms of the options granted under the share option scheme do not contain any market conditions within the meaning of IFRS 2.

There were no modifications effected to the share option scheme during the course of 2005 or 2004.

Details of options granted under the savings-related share option schemes

Savings-related share options	**Weighted average exercise price**	**Number of options 2005**	Weighted average exercise price	Number of options 2004
Outstanding at beginning of year	**€12.20 / Stg£8.30**	**1,503,969**	€12.20 / Stg£8.03	1,423,112
Granted (a)	**€17.99 / Stg£12.38**	**201,077**	€14.45 / Stg£9.66	266,680
Exercised	**€14.57 / Stg£9.07**	**(181,944)**	€15.39 / Stg£8.71	(71,008)
Lapsed	**€12.16 / Stg£9.43**	**(89,041)**	€13.71 / Stg£8.44	(114,815)
Outstanding at end of year	**€12.71 / Stg£8.76**	**1,434,061**	€12.20 / Stg£8.30	1,503,969
Exercisable at end of year	**Stg£8.79**	**55,011**	n/a	-

(a) Pursuant to the savings-related share option schemes operated by the Company in the Republic of Ireland and the United Kingdom, employees were granted options over 201,077 (2004 : 266,680) of the Company's Ordinary Shares on 1st April 2005 and 2nd April 2004 respectively. This figure comprises options over 113,330 (2004 : 159,636) shares and 87,747 (2004 : 107,044) shares which are normally exercisable within a period of six months after the third or the fifth anniversary of the contract, whichever is applicable, and are not subject to specified EPS growth targets being achieved. The exercise price at which the options are granted under the schemes represents a discount of 15% to the market price on the date of grant.

7. Employee Share Options *continued*

Analysis of closing balance - outstanding at end of year

Options by exercise price	Exercise prices	**31st December 2005** Number of options	**31st December 2005** Weighted average remaining contractual life (years)	31st December 2004 Number of options	31st December 2004 Weighted average remaining contractual life (years)
€ options	**€15.39**	**82,286**	**0.9**	86,327	1.9
	€16.09	**20,508**	**1.9**	36,872	2.1
	€10.63	**336,165**	**2.2**	361,126	3.1
	€14.45	**65,151**	**2.9**	67,484	3.8
	€17.99	**56,028**	**4.0**	-	-
Stg£ options	**Stg£8.77**	**54,409**	**0.4**	182,726	1.4
	Stg£10.08	**59,096**	**1.9**	106,367	2.1
	Stg£7.18	**455,912**	**2.0**	473,175	3.0
	Stg£9.66	**169,451**	**2.7**	189,892	3.7
	Stg£12.38	**135,055**	**3.7**	-	-
Total outstanding as at 31st December		**1,434,061**		1,503,969	

None of the savings-related share options were exercisable as at 31st December 2004. As at 31st December 2005, 55,011 options were exercisable under the savings-related share option schemes.

The weighted average fair values assigned to options issued under the savings-related share option scheme, which were computed in accordance with the trinomial valuation methodology, were as follows:

	Denominated in			
	€ 3-year	**€ 5-year**	**Stg£* 3-year**	**Stg£* 5-year**
Granted during 2003 (amounts in €)	3.21	4.12	3.21	4.12
Granted during 2004 (amounts in €)	4.32	5.19	4.32	5.19
Granted during 2005 (amounts in €)	**5.08**	**5.83**	**5.08**	**5.83**

*€ *equivalents at the date of grant*

The fair values of options granted under the savings-related share option scheme were determined using the following assumptions:

	2005		2004		2003	
	3-year	**5-year**	3-year	5-year	3-year	5-year
Weighted average exercise price (amounts in €)	**17.99**	**17.99**	14.45	14.45	10.63	10.63
Risk-free interest rate (%)	**2.67**	**3.03**	2.70	3.30	2.86	3.42
Expected dividend payments over the expected life (€ cent)	**134.29**	**260.74**	114.59	222.50	97.58	189.46
Expected volatility (%)	**23.4**	**23.3**	26.1	27.4	27.1	31.9
Expected life in years	**3**	**5**	3	5	3	5

The expected volatility was determined using an historical sample of 37 month-end CRH share prices in respect of the three-year savings-related share options and 61 month-end share prices in respect of the five-year savings-related share options. The expected lives of the options are based on historical data and are therefore not necessarily indicative of exercise patterns that may materialise.

Other than the assumptions listed above, no other features of options grants were factored into the determination of fair value.

The terms of the options issued under the savings-related share option scheme do not contain any market conditions within the meaning of IFRS 2.

There were no modifications effected to the savings-related share option scheme during the course of 2005 or 2004.

8. Finance Costs and Finance Revenue

	2005 €m	2004 €m
Finance costs		
Interest payable on bank loans and overdrafts repayable wholly within five years:		
- by instalments	**9.5**	9.6
- not by instalments	**93.3**	71.7
Interest payable under finance leases and hire purchase contracts	**2.5**	2.4
Interest payable on other borrowings	**93.1**	83.6
	198.4	167.3
Unwinding of discount element of provisions for liabilities and charges	**9.1**	6.1
Unwinding of discount applicable to deferred and contingent acquisition consideration	**6.5**	5.2
Mark-to-market of designated fair value and net investment hedges and related debt:		
- interest rate swaps (i)	**85.9**	16.9
- currency swaps and forward contracts	**(5.7)**	5.8
- gross hedged fixed rate debt (i)	**(85.1)**	(18.9)
Defined benefit pension obligations: interest cost on scheme liabilities	**88.3**	81.9
Total finance costs	**297.4**	264.3
Finance revenue		
Interest receivable on loans to joint ventures and associates	**(4.1)**	(4.1)
Other interest receivable	**(40.5)**	(23.4)
	(44.6)	(27.5)
Defined benefit pension obligations: expected return on scheme assets	**(93.7)**	(90.4)
Total finance revenue	**(138.3)**	(117.9)
Finance costs (net)	**159.1**	146.4

(i) The Group uses interest rate swaps to convert fixed rate debt to floating rate. Fixed rate debt which has been converted to floating rate through the usage of interest rate swaps is stated in the Group Balance Sheet at adjusted fair value to reflect movements in underlying fixed rates. The movement on this adjustment, together with the offsetting movement in the fair value of the related interest rate swaps, is taken to income in each reporting period.

9. Group Share of Associates' Profit after Tax

The Group's share of associates' profit after tax is equity-accounted and is presented as a single-line item in the Group Income Statement. The profit after tax generated by the Group's associates is analysed as follows between the principal Income Statement captions:

	2005 €m	2004 €m
Group share of:		
Revenue	**560.9**	524.7
Profit before finance costs	**37.6**	27.6
Finance costs (net)	**(2.8)**	(2.3)
Profit before tax	**34.8**	25.3
Income tax expense	**(8.9)**	(5.9)
Profit after tax	**25.9**	19.4

10. Income Tax Expense

	2005	2004
	€m	€m
Current tax		
Ireland		
Corporation tax at 12.5% (2004 : 12.5%)	**16.2**	17.5
Less: manufacturing relief	**(3.3)**	(3.2)
	12.9	14.3
Overseas tax	**213.0**	170.4
Tax on disposal of fixed assets	**4.6**	5.0
Total current tax	**230.5**	189.7
Deferred tax		
Origination and reversal of temporary differences:		
Defined benefit pension obligations	**5.8**	1.4
Employee share options	**(1.6)**	(9.0)
Derivative financial instruments	**0.2**	0.2
Other items	**37.7**	49.9
Total deferred tax	**42.1**	42.5
Income tax expense	**272.6**	232.2

Reconciliation of average effective tax rate to applicable tax rate

Profit before tax (€ millions)	**1,278.9**	1,104.0
Tax charge expressed as a percentage of profit before tax:		
- current tax expense only	**18.0%**	17.2%
- total income tax expense (current and deferred)	**21.3%**	21.0%

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

	% of profit before tax	
Irish corporation tax rate	**12.5**	12.5
Manufacturing relief in the Republic of Ireland	**(0.3)**	(0.3)
Higher tax rates on overseas earnings	**14.9**	14.3
Other items (mainly expenses not deductible for tax purposes)	**(5.8)**	(5.5)
Total effective tax rate	**21.3**	21.0

Current and deferred tax applicable to items charged or credited directly to retained income

The aggregate current and deferred tax relating to such items may be analysed as follows:

	€m	€m
Defined benefit pension obligations	**21.7**	31.3
Employee share options	**12.3**	-
Cash flow hedges	**(0.7)**	-
Total	**33.3**	31.3

10. Income Tax Expense *continued*

Factors that may affect future tax charges and other disclosure requirements

Excess of capital allowances over depreciation
Based on current capital investment plans, the Group expects to continue to be in a position to claim capital allowances in excess of depreciation in future years.

Unremitted earnings in subsidiaries, joint ventures and associates
No provision has been recognised in respect of the unremitted earnings of subsidiaries and joint ventures as there is no commitment to remit earnings. A deferred tax liability has been recognised in relation to unremitted earnings of associates on the basis that the exercise of significant influence would not necessarily prevent earnings being remitted by other shareholders in the undertaking.

Investments in subsidiaries and associates and interests in joint ventures
No provision has been made for temporary differences applicable to investments in subsidiaries and interests in joint ventures as the Group is in a position to control the timing of reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Due to the absence of control in the context of associates (significant influence by definition), deferred tax liabilities are recognised where appropriate in respect of the Group's investments in these entities. Given that exemptions and tax credits would be available in the context of the Group's investments in subsidiaries and joint ventures in the majority of the jurisdictions in which it operates, the aggregate amount of temporary differences in respect of which deferred tax liabilities have not been recognised would be immaterial.

Other considerations
The total tax charge in future periods will be affected by any changes to the corporation tax rates in force in the countries in which the Group operates. The current tax charges will also be impacted by changes in the excess of tax depreciation (capital allowances) over accounting depreciation and the use of tax credits.

11. Dividends

As shown in note 29, the Company has various classes of share capital in issue comprising Ordinary Shares, 5% Cumulative Preference Shares and 7% 'A' Cumulative Preference Shares. The dividends paid and proposed in respect of these classes of share capital are as follows:

	2005 €m	2004 €m
Dividends paid		
Preference		
5% Cumulative Preference Shares €3,174 (2004 : €3,174)	**-**	-
7% 'A' Cumulative Preference Shares €77,505 (2004 : €77,505)	**0.1**	0.1
Equity		
Final - paid 23.4c per Ordinary Share in May 2005 (19.9c paid in May 2004)	**124.8**	104.9
Interim - paid 11.25c per Ordinary Share in November 2005 (2004 : 9.6c paid in November 2004)	**60.3**	51.0
Total	**185.2**	156.0
Dividends proposed (memorandum disclosure)		
Equity		
Final 2005 - proposed 27.75c per Ordinary Share (2004 : 23.4c)	**148.8**	124.7
Reconciliation to Cash Flow Statement		
Dividends to shareholders	**185.2**	156.0
Less: issue of shares in lieu of dividends (i)	**(21.0)**	(36.4)
Dividends paid to equity holders of the Company	**164.2**	119.6
Dividends paid by subsidiaries to minority interests	**9.4**	2.6
Total dividends paid	**173.6**	122.2

(i) In accordance with the scrip dividend scheme, shares to the value of €21.0 million (2004 : €36.4 million) were issued in lieu of dividends.

12. Earnings per Ordinary Share

	2005 **€m**	2004 €m
The computation of basic and diluted earnings per Ordinary Share is set out below:		
Numerator computations		
Basic and diluted earnings per Ordinary Share		
Group profit for the financial year	**1,006.3**	871.8
Profit attributable to minority interest	**(8.4)**	(5.7)
Profit attributable to equity holders of the Company	**997.9**	866.1
Preference dividends	**(0.1)**	(0.1)
Profit attributable to ordinary equity holders of the Company	**997.8**	866.0
Amortisation of intangible assets	**9.1**	4.1
Profit attributable to ordinary equity holders of the Company excluding amortisation of intangible assets	**1,006.9**	870.1
Depreciation	**555.8**	515.9
Numerator for "cash" earnings per Ordinary Share (ii)	**1,562.7**	1,386.0
Denominator computations		
Denominator for basic earnings per Ordinary Share		
Weighted average number of Ordinary Shares (millions) outstanding for the year	**534.3**	529.5
Effect of dilutive potential Ordinary Shares (employee share options) (i)	**4.4**	2.9
Denominator for diluted earnings per Ordinary Share	**538.7**	532.4
Basic earnings per Ordinary Share		
- including amortisation of intangible assets	**186.7c**	163.6c
- excluding amortisation of intangible assets	**188.5c**	164.3c
Diluted earnings per Ordinary Share		
- including amortisation of intangible assets	**185.2c**	162.7c
- excluding amortisation of intangible assets	**186.9c**	163.4c
"Cash" earnings per Ordinary Share (ii)	**292.5c**	261.8c

(i) In accordance with IAS 33 *Earnings per Share*, the employee options, which are performance-based, are treated as contingently issuable shares because their issue is contingent upon satisfaction of specified performance conditions in addition to the passage of time. These contingently issuable ordinary shares are excluded from the computation of diluted earnings per Ordinary Share where the conditions governing exercisability have not been satisfied as at the end of the reporting period.

(ii) "Cash" earnings per Ordinary Share, a non-GAAP measure computed through adding amortisation of intangible assets and depreciation to profit attributable to ordinary equity holders of the Company, is presented here for information as management believes it is a useful indicator of the Group's ability to generate cash from operations.

13. Property, Plant and Equipment

31st December 2005	**Land and buildings €m**	**Plant and machinery €m**	**Transport €m**	**Assets in course of construction €m**	**Total €m**
At 1st January, net of accumulated depreciation	**3,185.6**	**2,221.6**	**203.8**	**219.6**	**5,830.6**
Translation adjustment	**232.0**	**191.3**	**23.2**	**20.3**	**466.8**
Reclassifications between captions	**49.9**	**48.9**	**2.1**	**(100.9)**	**-**
Additions at cost	**95.7**	**352.6**	**61.9**	**141.9**	**652.1**
Arising on acquisition (note 33)	**284.1**	**182.5**	**27.8**	**8.0**	**502.4**
Disposals	**(51.3)**	**(17.0)**	**(4.3)**	**-**	**(72.6)**
Depreciation charge for year	**(117.3)**	**(380.8)**	**(57.7)**	**-**	**(555.8)**
At 31st December, net of accumulated depreciation	**3,678.7**	**2,599.1**	**256.8**	**288.9**	**6,823.5**
At 31st December 2005					
Cost/deemed cost	**4,389.0**	**4,932.7**	**578.9**	**288.9**	**10,189.5**
Accumulated depreciation	**(710.3)**	**(2,333.6)**	**(322.1)**	**-**	**(3,366.0)**
Net carrying amount	**3,678.7**	**2,599.1**	**256.8**	**288.9**	**6,823.5**

The equivalent disclosure for the prior year is as follows:

31st December 2004	Land and buildings €m	Plant and machinery €m	Transport €m	Assets in course of construction €m	Total €m
At 1st January, net of accumulated depreciation	2,797.9	2,243.3	209.3	115.7	5,366.2
Translation adjustment	(99.7)	(61.4)	(8.1)	(8.4)	(177.6)
Reclassifications between captions	28.7	48.7	2.9	(80.3)	-
Joint venture becoming an associate	-	(114.9)	-	-	(114.9)
Additions at cost	77.6	239.3	44.3	189.5	550.7
Arising on acquisition (note 33)	554.9	230.4	19.3	3.1	807.7
Disposals	(44.9)	(30.0)	(10.7)	-	(85.6)
Depreciation charge for year	(128.9)	(333.8)	(53.2)	-	(515.9)
At 31st December, net of accumulated depreciation	3,185.6	2,221.6	203.8	219.6	5,830.6
At 1st January 2004					
Cost/deemed cost	3,227.7	3,854.4	446.0	115.7	7,643.8
Accumulated depreciation	(429.8)	(1,611.1)	(236.7)	-	(2,277.6)
Net carrying amount	2,797.9	2,243.3	209.3	115.7	5,366.2
At 31st December 2004					
Cost/deemed cost	3,720.9	4,029.3	457.1	219.6	8,426.9
Accumulated depreciation	(535.3)	(1,807.7)	(253.3)	-	(2,596.3)
Net carrying amount	3,185.6	2,221.6	203.8	219.6	5,830.6

The carrying value of mineral-bearing land and buildings included in the land and buildings category above amounted to €1,812.2 million at the balance sheet date (2004 : €1,488.3 million).

Revaluation of land and buildings
Land and buildings purchased since 31st December 1980 are reflected at cost. Land and buildings (excluding buildings of a specialised nature) purchased prior to 31st December 1980 were revalued by professional valuers at that date on an existing use basis; as stated in the accounting policies note, this revaluation has been carried forward as deemed cost under the transitional provisions of IFRS 1 *First-time Adoption of International Financial Reporting Standards*. Other than the aforementioned revaluation, all items of property, plant and equipment are recorded at cost.

13. Property, Plant and Equipment *continued*

The original historical cost of revalued assets cannot be obtained without unreasonable expense. The analysis of land and buildings assets held at deemed cost and at cost is as follows:

	2005	2004
	€m	€m
At deemed cost as at 31st December 1980	**56.7**	57.3
At cost post 31st December 1980	**4,332.3**	3,663.6
Total	**4,389.0**	3,720.9

Assets held under finance leases

The net carrying amount and the depreciation charge during the year in respect of assets held under finance leases and accordingly capitalised in property, plant and equipment are as follows:

	2005	2004
	€m	€m
Cost	**68.6**	65.3
Accumulated depreciation	**(18.7)**	(14.1)
Net carrying amount	**49.9**	51.2
Depreciation charge for year	**5.7**	4.2
Future purchase commitments for property, plant and equipment		
Contracted for but not provided in the financial statements	**219.2**	165.7
Authorised by the Directors but not contracted for	**115.9**	87.7

14. Intangible Assets

Under previous GAAP (Irish GAAP), with effect from 1st January 1998, goodwill was capitalised, and related amortisation based on a presumed maximum useful life of 20 years was charged against operating income in the Income Statement on a straight-line basis from the date of initial recognition. Goodwill arising on acquisitions completed prior to 1st January 1998 was written-off immediately against reserves. The net book value of this goodwill as at the transition date to IFRS (1st January 2004) has been treated as deemed cost and is subject to impairment testing on an annual basis.

The goodwill balances disclosed below include goodwill arising on the acquisition of joint ventures which are accounted for on the basis of proportionate consolidation. Goodwill arising in respect of investments in associates is included in investments in associates in the Group Balance Sheet (see note 15 below addressing financial assets).

		Other intangible assets			
	Goodwill	Marketing-related	Customer-related	Contract-based	Total
31st December 2005	**€m**	**€m**	**€m**	**€m**	**€m**
At 1st January, net of accumulated amortisation	**1,756.9**	**4.7**	**10.7**	**1.8**	**1,774.1**
Translation adjustment	**110.7**	**0.6**	**2.7**	**0.1**	**114.1**
Arising on acquisition (note 33)	**323.6**	**5.1**	**38.4**	**2.9**	**370.0**
Disposals	**(0.9)**	**-**	**-**	**-**	**(0.9)**
Excess of fair value of identifiable net assets over consideration paid	**4.3**	**-**	**-**	**-**	**4.3**
Amortisation charge for year	**-**	**(2.0)**	**(6.5)**	**(0.6)**	**(9.1)**
At 31st December, net of accumulated amortisation	**2,194.6**	**8.4**	**45.3**	**4.2**	**2,252.5**
At 31st December 2005					
Cost		**11.7**	**55.0**	**5.1**	**71.8**
Accumulated amortisation		**(3.3)**	**(9.7)**	**(0.9)**	**(13.9)**
Net carrying amount		**8.4**	**45.3**	**4.2**	**57.9**

14. Intangible Assets *continued*

The equivalent disclosure for the prior year is as follows:

	Goodwill €m	Other intangible assets: Marketing-related €m	Other intangible assets: Customer-related €m	Other intangible assets: Contract-based €m	Total €m
31st December 2004					
At 1st January, net of accumulated amortisation	1,625.1	-	-	-	1,625.1
Translation adjustment	(44.6)	(0.4)	(0.8)	(0.1)	(45.9)
Arising on acquisition (note 33)	189.8	6.1	14.2	2.3	212.4
Joint venture becoming an associate	(24.3)	-	-	-	(24.3)
Excess of fair value of identifiable net assets over consideration paid	10.9	-	-	-	10.9
Amortisation charge for year	-	(1.0)	(2.7)	(0.4)	(4.1)
At 31st December, net of accumulated amortisation	1,756.9	4.7	10.7	1.8	1,774.1
At 31st December 2004					
Cost		5.7	13.1	2.2	21.0
Accumulated amortisation		(1.0)	(2.4)	(0.4)	(3.8)
Net carrying amount		4.7	10.7	1.8	17.2

The useful lives of all intangible assets (excluding goodwill given that it is not subject to amortisation under IFRS) are finite and range from one to ten years dependent on the nature of the asset.

Impairment testing of goodwill
No impairment losses have been recognised by the Group in respect of goodwill in either financial year or as at the transition date to IFRS (1st January 2004).

Cash-generating units
Goodwill acquired through business combination activity has been allocated to cash-generating units (CGUs) for the purposes of impairment testing based on the business segment into which the business combination will be assimilated. The cash-generating units represent the lowest level within the Group at which the associated goodwill is monitored for internal management purposes and are not larger than the primary and secondary segments determined in accordance with IAS 14 *Segment Reporting*. A total of 24 cash-generating units have been identified and these are analysed as follows between the six business segments in the Group:

	CGUs
Europe Materials	7
Europe Products	7
Europe Distribution	1
Americas Materials	4
Americas Products	4
Americas Distribution	1
Total cash-generating units	24

Impairment testing methodology and results
The recoverable amount of each of the 24 cash-generating units is determined based on a value-in-use computation. The cash flow forecasts employed for the value-in-use computation are extracted from a five-year strategic plan document formally approved by senior management and the Board of Directors and specifically exclude incremental profits and other cash flows stemming from future acquisition activity. The five-year cash flows obtained from this document are projected forward for an additional five years using the lower of historical compound annual growth and anticipated inflation as the relevant general growth factor. A 20-year annuity-based terminal value is calculated using the average of the last five years' cash flows adjusted to take account of cumulative inflation to year 10 (being the end of the projection period); the terminal value specifically excludes any underlying growth assumption. The recoverable amount stemming from this exercise represents the present value of the future cash flows inclusive of the aforementioned terminal value discounted at a before-tax weighted average cost of capital appropriate to the cash-generating unit being assessed for impairment; the before-tax discount rates range from 7.4% to 10.8% (2004 : 7.8% to 11.7%) dependent on the tax rate applicable in the jurisdiction concerned. The average before-tax discount rate represents a premium of circa 0.5 percentage points on the Group's estimated before-tax weighted average cost of capital. Applying the above techniques, no impairment arose in 2005 (2004 : nil).

Key assumptions include management's estimates of future profitability, replacement capital expenditure requirements, trade working capital investment needs and tax considerations. The term of the discounted cash flow model is a significant factor in determining the fair value of the cash-generating units and has been arrived at taking account of the Group's strong financial position, its established history of earnings growth and cash flow generation, its proven ability to pursue and integrate value-enhancing acquisitions and the nature of building materials where obsolescence risk is very low.

14. Intangible Assets *continued*

The goodwill allocated to each of the 24 cash-generating units accounts for between 10% and 20% of the total carrying amount of €2,194.6 million (2004 : 1,756.9 million) in two instances and less than 10% of the total carrying amount in all other cases. The additional disclosures required under IAS 36 *Impairment of Assets* in relation to significant goodwill amounts arising in each of these two cash-generating units (Europe Distribution within the Europe Products & Distribution Division and Finland Materials within the Europe Materials Division) are as follows:

	Europe Distribution	**Finland Materials**
Carrying amount of goodwill allocated to the CGU	€288.0m	€222.3m
Carrying amount of indefinite-lived intangible assets allocated to the CGU	Nil	Nil
Basis on which recoverable amount of the CGU has been assessed	Value-in-use	Value-in-use
Discount rate applied to the cash flow projections (real before-tax)	10.0%	8.8%
Excess of value-in-use over recoverable amount	€359.6m	€181.6m

Additional disclosure requirements due to the employment of value-in-use in determining recoverable amount:
- The key assumptions used are in line with those addressed above. The values applied to each of the key assumptions are derived from a combination of internal and external factors based on historical experience and take into account the stability of cash flows typically associated with these businesses.
- The cash flows for each of the two CGUs have been projected in line with the methodology disclosed above with the cash flows arising after the five-year period in the strategic plan document being grown by inflation.

Given the magnitude of the excess of value-in-use over recoverable amount in both instances, and the absence of any reasonably possible changes in the key assumptions employed, the additional disclosures in IAS 36 pertaining to sensitivity of the value-in-use computations are not warranted.

15. Financial Assets

	Associates					
31st December 2005	**Share of net assets €m**	**Goodwill €m**	**Loans €m**	**Subtotal €m**	**Other (i) €m**	**Total €m**
At 1st January	**157.1**	**18.5**	**3.2**	**178.8**	**113.2**	**292.0**
Translation adjustment	**9.6**	**2.9**	**0.1**	**12.6**	**0.4**	**13.0**
Reclassifications	**17.0**	**-**	**-**	**17.0**	**(17.0)**	**-**
Arising on acquisition (note 33)	**10.6**	**-**	**1.3**	**11.9**	**9.0**	**20.9**
Investments and advances	**211.3**	**87.6**	**-**	**298.9**	**7.7**	**306.6**
Disposals	**(1.4)**	**-**	**(1.7)**	**(3.1)**	**(6.4)**	**(9.5)**
Retained profit less dividends paid	**11.5**	**-**	**-**	**11.5**	**-**	**11.5**
At 31st December	**415.7**	**109.0**	**2.9**	**527.6**	**106.9**	**634.5**

The equivalent disclosure for the prior year is as follows:

31st December 2004						
At 1st January	68.9	(2.8)	3.3	69.4	79.5	148.9
Translation adjustment	(6.9)	(1.4)	(0.1)	(8.4)	0.2	(8.2)
Joint venture becoming an associate	93.3	19.6	-	112.9	(5.5)	107.4
Arising on acquisition (note 33)	(12.3)	-	-	(12.3)	39.9	27.6
Investments and advances	2.9	3.1	-	6.0	5.0	11.0
Disposals	-	-	-	-	(5.9)	(5.9)
Retained profit less dividends paid	11.2	-	-	11.2	-	11.2
At 31st December	157.1	18.5	3.2	178.8	113.2	292.0

(i) The other financial assets caption comprises trade investments carried at historical cost together with quoted investments at fair value and loans extended by the Group to joint ventures (which are treated as loans and receivables under IAS 39 *Financial Instruments: Recognition and Measurement* and are included within financial assets at historical cost); the balance as at 31st December 2005 comprises €22.0 million in respect of trade and quoted investments and €84.9 million in respect of loans to joint ventures (2004 : €32.9 million and €80.3 million respectively).

15. Financial Assets *continued*

The investment in associates (including goodwill and loans payable) is analysed as follows:

	2005 €m	2004 €m
Non-current assets	**602.9**	220.4
Current assets	**272.8**	202.4
Non-current liabilities (including loans payable)	**(179.1)**	(142.5)
Current liabilities	**(169.0)**	(101.5)
Net assets	**527.6**	178.8

16. Disposal of Fixed Assets

	2005 €m	2004 €m
Fixed assets disposed of at net carrying amount:		
- property, plant and equipment	**72.6**	85.6
- intangible assets	**0.9**	-
- financial assets	**9.5**	5.9
Total	**83.0**	91.5
Profit on disposal of fixed assets	**19.8**	10.8
Proceeds from disposal of fixed assets - Group Cash Flow Statement	**102.8**	102.3

17. Inventories

	2005 €m	2004 €m
Raw materials	**408.2**	320.1
Work-in-progress	**112.6**	80.9
Finished goods	**1,201.8**	907.9
Total inventories at the lower of cost and net realisable value	**1,722.6**	1,308.9

Write-downs of inventories recognised as an expense within cost of sales amounted to €16.5 million (2004 : €8.2 million).

The aggregate amount of costs incurred and recognised profits (less recognised losses) for all contracts in progress at the balance sheet date was €418.1 million (2004 : €293.4 million).

None of the above carrying amounts has been pledged as security for liabilities entered into by the Group.

18. Trade and Other Receivables

	2005 €m	2004 €m
All current		
Trade receivables	**1,924.8**	1,560.7
Amounts receivable in respect of construction contracts	**170.7**	110.8
Other receivables	**226.4**	186.2
Amounts receivable from associates	**4.3**	1.7
Prepayments and accrued income	**150.2**	113.7
Total	**2,476.4**	1,973.1

Retentions held by customers included in other receivables at the balance sheet date amounted to €10.3 million (2004 : €7.7 million).

19. Trade and Other Payables

	2005 €m	2004 €m
Current		
Trade payables	**1,204.7**	982.1
Irish employment-related taxes	**4.9**	7.1
Other employment-related taxes	**42.4**	40.8
Value added tax	**72.6**	52.7
Deferred and contingent acquisition consideration	**72.5**	40.1
Other payables	**242.6**	163.8
Accruals and deferred income	**589.5**	450.2
Amounts payable to associates	**25.2**	5.3
Subtotal - current	**2,254.4**	1,742.1
Non-current		
Other payables	**25.1**	34.0
Deferred and contingent acquisition consideration (stated at net present cost) due as follows:		
- between one and two years	**38.7**	24.2
- between two and five years	**78.2**	52.8
- after five years	**45.6**	11.0
Subtotal - non-current	**187.6**	122.0
Total	**2,442.0**	1,864.1

Included in other payables are advances of €40.8 million (2004 : €25.7 million) received from customers in respect of work to be performed under construction contracts.

20. Movement in Working Capital

31st December 2005	**Inventories €m**	**Trade and other receivables €m**	**Trade and other payables €m**	**Total €m**
At 1st January	**1,308.9**	**1,973.1**	**(1,864.1)**	**1,417.9**
Translation adjustment	**101.4**	**145.5**	**(151.3)**	**95.6**
Arising on acquisition (note 33)	**190.3**	**247.5**	**(228.4)**	**209.4**
Deferred and contingent acquisition consideration:				
- arising on acquisitions during the year (net present cost) (note 33)	**-**	**-**	**(123.2)**	**(123.2)**
- paid during the year	**-**	**-**	**45.3**	**45.3**
Interest accruals	**-**	**1.2**	**(20.9)**	**(19.7)**
Reclassifications	**-**	**-**	**(17.7)**	**(17.7)**
Increase/(decrease) in working capital	**122.0**	**109.1**	**(81.7)**	**149.4**
At 31st December	**1,722.6**	**2,476.4**	**(2,442.0)**	**1,757.0**

The equivalent disclosure for the prior year is as follows:

31st December 2004	Inventories €m	Trade and other receivables €m	Trade and other payables €m	Total €m
At 1st January	1,155.8	1,747.7	(1,645.2)	1,258.3
Translation adjustment	(39.6)	(57.8)	59.8	(37.6)
Arising on acquisition (note 33)	85.8	231.2	(185.1)	131.9
Joint venture becoming an associate	(15.1)	(13.7)	19.6	(9.2)
Deferred and contingent acquisition consideration:				
- arising on acquisitions during the year (net present cost) (note 33)	-	-	(50.3)	(50.3)
- paid during the year	-	-	57.3	57.3
Interest accruals	-	4.6	(15.7)	(11.1)
Increase/(decrease) in working capital	122.0	61.1	(104.5)	78.6
At 31st December	1,308.9	1,973.1	(1,864.1)	1,417.9

21. Liquid Investments and Cash and Cash Equivalents

Accounting for financial instruments

The Group elected to pursue early implementation of IAS 32 *Financial Statements: Disclosure and Presentation* and IAS 39 *Financial Instruments: Recognition and Measurement* with effect from 1st January 2004 (the transition date to IFRS) taking account of the prohibition on the fair valuation of financial liabilities imposed by the version of IAS 39 approved by the European Union. Given the delay encountered in securing European Union approval, the effective date of the revised versions of IAS 32 and IAS 39 was 1st January 2005 with no requirement to present prior year comparatives for 2004.

(a) Liquid investments

Liquid investments comprise short-term deposits and current asset investments which are held as readily disposable stores of value and include investments in government gilts and commercial paper and deposits of less than one year in duration. The maturity of these investments falls outside the three months timeframe for classification as cash and cash equivalents under IAS 7 *Cash Flow Statements,* and accordingly, the related balances have been treated as financial assets and have been categorised as either fair value through profit and loss or loans and receivables as shown in the table below. The credit risk attaching to these items is documented in note 23.

	2005 €m	2004 €m
Fair value through profit and loss	**342.2**	297.4
Loans and receivables	**0.3**	14.3
Total	**342.5**	311.7

(b) Cash and cash equivalents

In accordance with IAS 7, cash and cash equivalents comprise cash balances held for the purposes of meeting short-term cash commitments and investments which are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Where investments are categorised as cash equivalents, the related balances have a maturity of three months or less from the date of acquisition. Bank overdrafts are included within current interest-bearing loans and borrowings in the Group Balance Sheet.

Cash and cash equivalents are reported at fair value and are analysed as follows:

	2005 €m	2004 €m
Cash at bank and in hand	**294.0**	225.5
Investments (short-term deposits)	**854.6**	846.5
Included in Group Balance Sheet and Group Cash Flow Statement	**1,148.6**	1,072.0

Cash at bank and in hand earns interest at floating rates based on daily deposit bank rates. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

22. Interest-bearing Loans and Borrowings

	2005 €m	2004 €m
Bank loans and overdrafts:		
- unsecured	**1,753.2**	1,174.9
- secured *	**45.9**	67.5
Other term loans:		
- unsecured	**3,262.3**	2,745.9
- secured *	**45.4**	65.5
Interest-bearing loans and borrowings (non-current and current)	**5,106.8**	4,053.8
Included in current liabilities in the Group Balance Sheet:		
Loans repayable within one year	**(436.0)**	(135.3)
Bank overdrafts	**(146.3)**	(116.1)
Current interest-bearing loans and borrowings	**(582.3)**	(251.4)
Non-current interest-bearing loans and borrowings	**4,524.5**	3,802.4

** Secured on specific property, plant and equipment*

22. Interest-bearing Loans and Borrowings *continued*

	2005 €m	2004 €m
Repayment schedule		
Within one year	**582.3**	251.4
Between one and two years	**332.0**	329.4
Between two and three years	**236.8**	200.7
Between three and four years	**1,272.1**	195.8
Between four and five years	**244.3**	701.5
After five years	**2,439.3**	2,375.0
	5,106.8	4,053.8

	2005 €m	2004 €m
Instalment payments		
Loans fully repayable within five years:		
- not by instalments	**2,348.0**	1,419.8
- by instalments	**247.9**	244.4
Subtotal	**2,595.9**	1,664.2
Loans fully repayable in more than five years:		
- not by instalments	**2,373.4**	2,250.2
- by instalments**	**137.5**	139.4
Subtotal	**2,510.9**	2,389.6
Interest-bearing loans and borrowings (non-current and current)	**5,106.8**	4,053.8

** €65.9 million (2004 : €124.8) million falls due for repayment after five years.

Obligations under finance leases

Obligations under finance leases included above (net of interest) are due as follows:

	2005 €m	2004 €m
Within one year	**13.3**	11.1
Between one and two years	**11.8**	10.6
Between two and five years	**18.3**	22.5
After five years	**6.0**	10.3
	49.4	54.5

Borrowing facilities

Various borrowing facilities are available to the Group. The undrawn committed facilities available as at 31st December 2005 and 31st December 2004, in respect of which all conditions precedent had been met, mature as follows:

	2005 €m	2004 €m
Within one year	**89.4**	76.2
Between one and two years	**12.3**	80.7
Between two and five years	**178.1**	578.1
After five years	**-**	41.7
	279.8	776.7

Included in the figures above is an amount of €91.7 million in respect of the Group's share of facilities available to joint ventures (2004 : €109.8 million).

Guarantees

The Company has given letters of guarantee to secure obligations of subsidiary undertakings as follows: €4,587.2 million in respect of loans, bank advances and future lease obligations, €23.1 million in respect of deferred acquisition consideration, €186.4 million in respect of letters of credit and €14.2 million in respect of other obligations.

Pursuant to the provisions of Section 17, Companies (Amendment) Act, 1986, the Company has guaranteed the liabilities of certain of its subsidiary undertakings and of a general partnership in the Republic of Ireland for the financial year ended 31st December 2005 and, as a result, such subsidiary undertakings and the general partnership have been exempted from the filing provisions of Section 7, Companies (Amendment) Act, 1986 and Regulation 20 of the European Communities (Accounts Regulations), 1993 respectively.

23. Derivative Financial Instruments

Derivative financial instruments recognised as assets and liabilities in the Group Balance Sheet are analysed as follows:

	2005 €m	2004 €m
Non-current assets		
Fair value hedges	**135.2**	173.2
Net investment hedges	**19.6**	-
	154.8	173.2
Current assets		
Fair value hedges	**4.8**	0.7
Cash flow hedges	**2.7**	-
Net investment hedges	**20.2**	-
Not designated as hedges	**3.0**	0.4
	30.7	1.1
Total assets	**185.5**	174.3
Non-current liabilities		
Fair value hedges	**(12.7)**	(46.7)
Cash flow hedges	**(0.3)**	(0.1)
Net investment hedges	**-**	(4.2)
Not designated as hedges	**(0.5)**	(0.9)
	(13.5)	(51.9)
Current liabilities		
Fair value hedges	**(1.3)**	(15.7)
Cash flow hedges	**(0.1)**	(0.3)
Net investment hedges	**(1.4)**	(192.8)
Not designated as hedges	**(1.8)**	(1.6)
	(4.6)	(210.4)
Total liabilities	**(18.1)**	(262.3)
Net asset/(liability) on derivative financial instruments	**167.4**	(88.0)

Financial risk management objectives and policies
The Group uses financial instruments throughout its businesses: interest-bearing loans and borrowings, cash and cash equivalents, short-dated liquid investments and finance leases are used to finance the Group's operations; trade receivables and trade payables arise directly from operations; and derivatives, principally interest rate and currency swaps and forward foreign exchange contracts, are used to manage interest rate risks and currency exposures and to achieve the desired profile of borrowings. The Group does not trade in financial instruments nor does it enter into any leveraged derivative transactions.

The main risks attaching to the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. Commodity price risk is of minimal relevance given that exposure is confined to a small number of contracts entered into for the purpose of hedging future movements in energy costs. The Board reviews and agrees policies for the prudent management of each of these risks as documented below.

Interest rate risk
The Group's exposure to market risk for changes in interest rates stems predominantly from its long-term debt obligations. Interest cost is managed by a centrally-controlled treasury function using a mix of fixed and floating rate debt; in recent years, the Group's target has been to fix interest rates on approximately 50% of net debt as at the period-end. With the objective of managing this mix in a cost-efficient manner, the Group enters into interest rate swaps, under which the Group contracts to exchange, at predetermined intervals, the difference between fixed and variable interest amounts calculated by reference to a pre-agreed notional principal. The majority of these swaps are designated under IAS 39 to hedge underlying debt obligations; undesignated financial instruments are termed "not designated as hedges" in the preceding analysis of derivative financial instruments in the Group Balance Sheet.

23. Derivative Financial Instruments *continued*

Foreign currency risk
Due to the nature of building materials, which in general exhibit a low value to weight ratio, CRH's activities are conducted primarily in the local currency of the country of operation resulting in low levels of foreign currency transaction risk; variances arising in this regard are reflected in operating costs or cost of sales in the Income Statement in the period in which they arise.

Given its presence in 25 countries worldwide, the principal foreign exchange risk is translation-related arising from fluctuations in the euro value of the Group's net investment in currencies other than the euro. The Group's established policy is to spread its net worth across the currencies of its various operations with the objective of limiting its exposure to individual currencies and thus promoting consistency with the geographical balance of its operations. In order to achieve this objective, the Group manages its borrowings, where practicable and cost effective, to partially hedge its foreign currency assets. Hedging is done using currency borrowings in the same currency as the assets being hedged or through the use of other hedging methods such as currency swaps.

Credit risk
In addition to cash at bank and in hand, the Group holds significant cash balances which are invested on a short-term basis and are classified as either cash equivalents or liquid investments as discussed in note 21 above. These deposits and other financial instruments (principally certain derivatives and loans and receivables included within financial assets) give rise to credit risk on amounts due from counterparties. Credit risk is managed by limiting the aggregate amount and duration of exposure to any one counterparty primarily depending on its credit rating and by regular review of these ratings. The maximum exposure arising in the event of default on the part of the counterparty is the carrying value of the relevant financial instrument.

Credit risk arising in the context of the Group's operations is not significant. Customers who wish to trade on credit terms are subject to strict verification procedures prior to credit being advanced and are subject to continued monitoring at operating company level.

Liquidity risk
The Group is exposed to liquidity risk which arises primarily from the maturing of short-term and long-term debt obligations and derivative transactions. The Group's policy is to ensure that sufficient resources are available either from cash balances, cash flows or undrawn committed bank facilities, to ensure all obligations can be met as they fall due. To achieve this objective, the Group:
- maintains cash balances and liquid investments with highly-rated counterparties;
- limits the maturity of cash balances; and
- borrows the bulk of its debt needs under committed bank lines or other term financing.

Commodity price risk
The Group's exposure to price risk in this regard is minimal with derivatives to hedge future energy costs accounting for 0.9% of the total fair value of derivatives as at the period-end (2004 : 0.9%).

24. Analysis of Net Debt

Components of and reconciliation of opening to closing net debt

Net debt comprises cash and cash equivalents, liquid investments, derivative financial instrument assets and liabilities and current and non-current interest-bearing loans and borrowings.

31st December 2005	At 1st January €m	Cash flow €m	Acquisitions €m	Joint venture becoming an associate €m	Mark-to-market €m	Translation adjustment €m	At 31st December €m
Cash and cash equivalents (note 21)	**1,072.0**	**(28.9)**	**58.0**	**-**	**-**	**47.5**	**1,148.6**
Liquid investments (note 21)	**311.7**	**15.0**	**-**	**-**	**-**	**15.8**	**342.5**
Interest-bearing loans and borrowings (note 22)	**(4,053.8)**	**(540.4)**	**(137.6)**	**-**	**85.1**	**(460.1)**	**(5,106.8)**
Derivative financial instruments (net) (note 23)	**(88.0)**	**102.8**	**-**	**-**	**(79.2)**	**231.8**	**167.4**
Group net debt (including share of non-recourse debt in joint ventures)	**(2,758.1)**	**(451.5)**	**(79.6)**	**-**	**5.9**	**(165.0)**	**(3,448.3)**
Group net debt excluding proportionately consolidated joint ventures	**(2,501.1)**	**(436.0)**	**(80.9)**	**-**	**6.1**	**(165.2)**	**(3,177.1)**
The equivalent disclosure for the prior year is as follows: 31st December 2004							
Cash and cash equivalents (note 21)	1,040.9	(15.2)	67.4	(1.0)	-	(20.1)	1,072.0
Liquid investments (note 21)	292.1	25.2	-	-	-	(5.6)	311.7
Interest-bearing loans and borrowings (note 22)	(3,910.6)	(138.2)	(269.9)	31.2	18.9	214.8	(4,053.8)
Derivative financial instruments (net) (note 23)	22.9	62.2	-	-	(19.9)	(153.2)	(88.0)
Group net debt (including share of non-recourse debt in joint ventures)	(2,554.7)	(66.0)	(202.5)	30.2	(1.0)	35.9	(2,758.1)
Group net debt excluding proportionately consolidated joint ventures	(2,377.1)	(76.3)	(80.9)	-	(1.0)	34.2	(2,501.1)

Interest rate and currency profile

The interest rate and currency profile of the Group's net debt and net worth (capital and reserves attributable to the Company's equity holders) as at 31st December 2005 is as follows:

	euro €m	US Dollar €m	Pound Sterling €m	Swiss Franc €m	Other €m	Total €m
Cash and cash equivalents - floating rate	**562.5**	**235.0**	**86.4**	**188.8**	**75.9**	**1,148.6**
Liquid investments - floating rate	**85.5**	**84.5**	**172.5**	**-**	**-**	**342.5**
Interest-bearing loans and borrowings - fixed rate	**(221.1)**	**(3,007.3)**	**(24.1)**	**(20.5)**	**(41.4)**	**(3,314.4)**
Interest-bearing loans and borrowings - floating rate	**(1,116.4)**	**(193.2)**	**(379.0)**	**(0.1)**	**(103.7)**	**(1,792.4)**
Net debt by major currency excluding derivative financial instruments	**(689.5)**	**(2,881.0)**	**(144.2)**	**168.2**	**(69.2)**	**(3,615.7)**
Derivative financial instruments (including mark-to-market)	**(1,017.6)**	**1,676.7**	**125.5**	**(360.8)**	**(256.4)**	**167.4**
Net debt by major currency including derivative financial instruments	**(1,707.1)**	**(1,204.3)**	**(18.7)**	**(192.6)**	**(325.6)**	**(3,448.3)**
Non-debt assets and liabilities analysed as follows:						
Non-current assets	**3,943.5**	**4,632.7**	**510.2**	**365.7**	**724.9**	**10,177.0**
Current assets	**1,692.5**	**1,876.9**	**225.3**	**147.7**	**256.6**	**4,199.0**
Non-current liabilities	**(486.7)**	**(1,096.7)**	**(333.9)**	**(87.0)**	**(53.4)**	**(2,057.7)**
Current liabilities	**(1,161.6)**	**(1,084.5)**	**(163.9)**	**(80.7)**	**(145.6)**	**(2,636.3)**
Minority interest	**(23.6)**	**(2.6)**	**-**	**(7.3)**	**(4.8)**	**(38.3)**
Capital and reserves attributable to the Company's equity holders	**2,257.0**	**3,121.5**	**219.0**	**145.8**	**452.1**	**6,195.4**

Interest-bearing loans and borrowings - fixed rate

The fixed rate interest-bearing loans and borrowings including the impact of derivative financial instruments (interest rate and cross-currency swaps) as at 31st December 2005 is as follows:

	euro €m	US Dollar €m	Pound Sterling €m	Swiss Franc €m	Other €m	Total €m
Interest-bearing loans and borrowings - fixed rate as above	**(221.1)**	**(3,007.3)**	**(24.1)**	**(20.5)**	**(41.4)**	**(3,314.4)**
Impact of derivative financial instruments on fixed rate debt	**(562.9)**	**2,430.6**	**(21.9)**	**(32.8)**	**(94.6)**	**1,718.4**
Net fixed rate interest-bearing loans and borrowings	**(784.0)**	**(576.7)**	**(46.0)**	**(53.3)**	**(136.0)**	**(1,596.0)**
Weighted average fixed interest rates	***3.4%***	***7.4%***	***5.0%***	***2.5%***	***5.1%***	***5.0%***
Weighted average fixed periods - years	***2.1***	***6.4***	***2.4***	***2.3***	***1.7***	***3.7***

24. Analysis of Net Debt *continued*

	euro €m	US Dollar €m	Pound Sterling €m	Swiss Franc €m	Other €m	Total €m
Gross debt by major currency - analysis of effective interest rates						
- excluding derivative financial instruments	**3.3%**	**6.8%**	**4.9%**	**4.2%**	**4.2%**	**5.7%**
- gross debt excluding derivative financial instruments	**(1,337.5)**	**(3,200.5)**	**(403.1)**	**(20.6)**	**(145.1)**	**(5,106.8)**
- including derivative financial instruments	**3.0%**	**6.8%**	**5.0%**	**1.4%**	**5.0%**	**4.3%**
- gross debt including derivative financial instruments	**(2,355.1)**	**(1,523.8)**	**(277.6)**	**(381.4)**	**(401.5)**	**(4,939.4)**

Floating rate debt comprises bank borrowings and finance leases bearing interest at rates set in advance for periods ranging from overnight to less than one year largely by reference to inter-bank interest rates (US$ LIBOR, Sterling LIBOR, Swiss Franc LIBOR and Euribor).

Gains and losses arising on the re-translation of net worth are dealt with in the Statement of Recognised Income and Expense. Transactional currency exposures arise in a number of the Group's operations and these result in net currency gains and losses which are recognised in the Income Statement. As at 31st December 2005 and 2004, these exposures were not material.

The corresponding interest rate and currency profile of the Group's net debt and net worth as at 31st December 2004 was as follows:

	euro €m	US Dollar €m	Pound Sterling €m	Swiss Franc €m	Other €m	Total €m
Cash and cash equivalents - floating rate	421.9	284.2	179.9	147.7	38.3	1,072.0
Liquid investments - floating rate	80.6	63.7	156.7	-	10.7	311.7
Interest-bearing loans and borrowings - fixed rate	(32.3)	(2,680.4)	(28.5)	(23.1)	(87.2)	(2,851.5)
Interest-bearing loans and borrowings - floating rate	(675.4)	(111.9)	(398.5)	(3.0)	(13.5)	(1,202.3)
Net debt by major currency excluding derivative financial instruments	(205.2)	(2,444.4)	(90.4)	121.6	(51.7)	(2,670.1)
Derivative financial instruments (including mark-to-market)	(1,057.9)	1,558.1	11.0	(362.3)	(236.9)	(88.0)
Net debt by major currency including derivative financial instruments	(1,263.1)	(886.3)	(79.4)	(240.7)	(288.6)	(2,758.1)
Non-debt assets and liabilities analysed as follows:						
Non-current assets	3,270.3	3,512.6	494.6	360.4	594.1	8,232.0
Current assets	1,366.5	1,374.5	208.1	145.6	187.3	3,282.0
Non-current liabilities	(382.8)	(882.1)	(260.7)	(87.2)	(41.0)	(1,653.8)
Current liabilities	(1,019.5)	(783.2)	(146.7)	(80.4)	(92.9)	(2,122.7)
Minority interest	(15.0)	(4.8)	-	(6.6)	(7.8)	(34.2)
Capital and reserves attributable to the Company's equity holders	1,956.4	2,330.7	215.9	91.1	351.1	4,945.2

Interest-bearing loans and borrowings - fixed rate
The fixed rate interest-bearing loans and borrowings including the impact of derivative financial instruments (interest rate and cross-currency swaps) as at 31st December 2004 is as follows:

	euro €m	US Dollar €m	Pound Sterling €m	Swiss Franc €m	Other €m	Total €m
Interest-bearing loans and borrowings - fixed rate as above	(32.3)	(2,680.4)	(28.5)	(23.1)	(87.2)	(2,851.5)
Impact of derivative financial instruments on fixed rate debt	(567.4)	2,236.2	(21.3)	(97.9)	(50.2)	1,499.4
Net fixed rate interest-bearing loans and borrowings	(599.7)	(444.2)	(49.8)	(121.0)	(137.4)	(1,352.1)
Weighted average fixed interest rates	*3.1%*	*7.3%*	*5.1%*	*3.1%*	*6.6%*	*5.1%*
Weighted average fixed periods - years	*2.1*	*8.0*	*2.0*	*1.8*	*1.5*	*4.1*
Gross debt by major currency - analysis of effective interest rates						
- excluding derivative financial instruments	3.9%	6.8%	5.2%	4.2%	4.5%	6.1%
- gross debt excluding derivative financial instruments	(707.7)	(2,792.3)	(427.0)	(26.1)	(100.7)	(4,053.8)
- including derivative financial instruments	3.0%	5.6%	5.4%	1.5%	6.1%	4.2%
- gross debt including derivative financial instruments	(1,765.6)	(1,234.2)	(416.0)	(388.4)	(337.6)	(4,141.8)

25. Provisions for Liabilities and Charges

Net present cost 31st December 2005	At 1st January €m	Translation adjustment €m	Arising on acquisition €m	Provided during year €m	Utilised during year €m	Reversed unused €m	Reclass-ifications (to)/from accruals/ payables €m	Discount unwinding €m	At 31st December €m
Insurance (i)	**127.8**	**14.2**	**1.6**	**66.1**	**(60.7)**	**(0.2)**	**(6.1)**	**4.3**	**147.0**
Guarantees and warranties (ii)	**29.6**	**1.1**	**0.9**	**6.0**	**(7.7)**	**(1.2)**	**1.5**	**0.9**	**31.1**
Rationalisation and redundancy (iii)	**10.5**	**0.3**	**0.9**	**13.5**	**(8.0)**	**(0.3)**	**(1.1)**	**0.4**	**16.2**
Environment and remediation (iv)	**61.1**	**1.6**	**0.8**	**17.8**	**(5.0)**	**(0.4)**	**0.5**	**2.9**	**79.3**
Other	**49.4**	**0.6**	**9.6**	**9.4**	**(14.2)**	**(3.3)**	**7.7**	**0.6**	**59.8**
Total	**278.4**	**17.8**	**13.8**	**112.8**	**(95.6)**	**(5.4)**	**2.5**	**9.1**	**333.4**

Analysed as:		
Non-current liabilities	**182.3**	**223.0**
Current liabilities	**96.1**	**110.4**
Total	**278.4**	**333.4**

The equivalent disclosure for the prior year is as follows:

31st December 2004	At 1st January €m	Translation adjustment €m	Arising on acquisition €m	Provided during year €m	Utilised during year €m	Reversed unused €m	Reclass-ifications (to)/from accruals/ payables €m	Discount unwinding €m	At 31st December €m
Insurance (i)	116.6	(7.0)	1.7	59.8	(46.5)	(0.1)	-	3.3	127.8
Guarantees and warranties (ii)	31.2	(0.5)	1.2	10.0	(11.6)	(1.3)	-	0.6	29.6
Rationalisation and redundancy (iii)	20.5	0.1	3.0	4.6	(16.0)	(1.8)	-	0.1	10.5
Environment and remediation (iv)	67.1	(1.0)	4.5	7.4	(6.7)	(12.2)	-	2.0	61.1
Other	45.0	0.6	1.3	15.7	(12.4)	(0.9)	-	0.1	49.4
Total	280.4	(7.8)	11.7	97.5	(93.2)	(16.3)	-	6.1	278.4

Analysed as:		
Non-current liabilities	157.7	182.3
Current liabilities	122.7	96.1
Total	280.4	278.4

(i) Insurance
This provision relates to workers' compensation (employers' liability) and third-party liabilities or claims covered under the Group's self-insurance schemes. Reflecting the operation of these self-insurance schemes, a substantial portion of the total provision relates to claims which have not yet materialised (incurred but not reported) in respect of which the Group will bear an excess which will not be recoverable from insurers. In addition, due to the extended time frame which is habitually involved in such claims, a significant component of the total provision is subject to actuarial valuation. Where actuarial valuation is either inappropriate or impractical, other external assessments are made.

(ii) Guarantees and warranties
Some of the products sold by Group companies (subsidiaries and joint ventures) carry formal guarantees in relation to satisfactory performance spanning varying periods subsequent to purchase. Provision is accordingly made on a net present cost basis for the anticipated cost of honouring such guarantees and warranties at each balance sheet date. Although the expected timing of any payments is uncertain, best estimates have been made in determining a likely cash profile for the purposes of discounting using past experience as a guide.

(iii) Rationalisation and redundancy
These provisions relate to irrevocable commitments under various rationalisation and redundancy programmes throughout the Group, none of which is individually material. The Group expects that these provisions will be utilised within three years of the balance sheet date.

(iv) Environment and remediation
This provision comprises obligations governing site remediation and improvement costs to be incurred in compliance with either local or national environmental regulations together with constructive obligations stemming from established best practice. Whilst a significant element of the total provision will reverse in the medium-term (being two to ten years), the majority of the legal and constructive obligations applicable to long-lived assets (principally mineral-bearing land and buildings) will unwind over a 30-year timeframe. In discounting the related obligations, expected future cash outflows have been determined with due regard to extraction status and anticipated remaining life.

26. Deferred Income Tax

The deductible and taxable temporary differences at the balance sheet date in respect of which deferred tax has been recognised are analysed as follows:

	2005 €m	2004 €m
Deferred income tax assets (deductible temporary differences)		
Deficits on Group defined benefit pension obligations	**126.5**	107.5
Revaluation of derivative financial instruments to fair value	**0.9**	1.1
Employee share options	**32.4**	18.5
Other deductible temporary differences	**306.7**	208.2
Total	**466.5**	335.3

	2005 €m	2004 €m
Deferred income tax liabilities (taxable temporary differences)		
Taxable temporary differences principally attributable to accelerated tax depreciation and fair value adjustments arising on acquisition	**1,150.9**	955.5
Revaluation of derivative financial instruments to fair value	**1.7**	0.9
Rolled-over capital gains	**31.9**	31.0
Total	**1,184.5**	987.4
At 1st January	**652.1**	558.2
Translation adjustment	**65.1**	(32.5)
Net charge for the year (note 10)	**42.1**	42.5
Arising on acquisition (note 33)	**12.2**	125.5
Deconsolidation adjustment: joint venture becoming an associate	**-**	(10.3)
Increase in deferred tax asset on Group defined benefit pension obligations	**(21.7)**	(31.3)
Increase in deferred tax asset on employee share options	**(12.3)**	-
Increase in deferred tax liability on cash flow hedges	**0.7**	-
Reclassification	**(20.2)**	-
At 31st December	**718.0**	652.1

27. Retirement Benefit Obligations

The Group operates either defined benefit or defined contribution pension schemes in all of its principal operating areas. Scheme assets are held in separate trustee administered funds.

At the year-end, €43.4 million (2004 : €32.8 million) was included in other payables in respect of defined contribution pension liabilities and €0.8 million (2004 : €0.4 million) was included in other receivables in respect of defined contribution pension prepayments.

The Group operates defined benefit pension schemes in the Republic of Ireland, Britain and Northern Ireland, the Netherlands, Belgium, Germany, Portugal, Switzerland and the United States; for the purposes of the disclosures which follow, the schemes in the Republic of Ireland, the Netherlands, Belgium, Germany and Portugal (49% joint venture) have been aggregated into a "eurozone" category on the basis of common currency and financial assumptions. In line with the principle of proportionate consolidation, the assets, liabilities, income and expenses attaching to defined benefit pension schemes in joint ventures are reflected in the figures below on the basis of the Group's share of these entities. The majority of the defined benefit pension schemes operated by the Group are funded as disclosed in the analysis of the defined benefit obligation presented below with unfunded schemes restricted to one scheme in each of Germany, Portugal and the United States.

In addition to the aforementioned defined benefit pension schemes, provision has been made in the financial statements for post-retirement healthcare obligations in respect of certain current and former employees principally in the United States and in Portugal (49%) and for long-term service commitments in respect of certain employees in the eurozone, Britain and Northern Ireland and Switzerland. These obligations are unfunded in nature and the required disclosures are addressed below.

In all cases, the projected unit credit method has been employed in determining the present value of the defined benefit obligations arising, the related current service cost and, where applicable, past service cost.

In accordance with the exemption afforded under IFRS 1 *First-time Adoption of International Financial Reporting Standards*, the cumulative actuarial gains and losses attributable to the Group's defined benefit pension scheme obligations at the transition date were recognised in full as at that date and adjusted against retained income. The alternative of retrospective application of the corridor methodology under IAS 19 was therefore not availed of. In addition, the Group has elected to avail of early implementation of the Amendment to IAS 19 *Actuarial Gains and Losses, Group Plans and Disclosures* which enables the recognition of actuarial gains and losses and the associated movement in the deferred tax asset in retained income via the Statement of Recognised Income and Expense (SORIE) and has therefore not applied the corridor prospectively from the transition date as permitted under IAS 19 *Employee Benefits*.

27. Retirement Benefit Obligations *continued*

Actuarial valuations

The funding requirements in relation to the Group's defined benefit schemes are assessed in accordance with the advice of independent qualified actuaries and valuations are prepared in this regard either annually, where local requirements mandate that this be done, or at triennial intervals at a maximum in all other cases. In Ireland and Britain, either the attained age or projected unit credit methods are used in the valuations performed. In the Netherlands and Switzerland, the actuarial valuations reflect the current unit method, while the valuations are performed in accordance with the projected unit credit methodology in Portugal and Germany. In the case of the United States, valuations are performed using a variety of actuarial cost methodologies – current unit, projected unit and aggregate cost. The actuarial valuations range from April 2002 to December 2005.

The assumptions which have the most significant effect on the results of the actuarial valuations are those relating to the rate of return on investments and the rates of increase in remuneration and pensions. In the course of preparing the funding valuations, it was assumed that the rate of return on investments would, on average, exceed annual remuneration increases by 2% and pension increases by 3% per annum.

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

Financial assumptions

The financial assumptions employed in the valuation of the defined benefit liabilities arising on pension schemes, post-retirement healthcare obligations and long-term service commitments are as follows:

Scheme liabilities

The major long-term assumptions used by the Group's actuaries in the computation of scheme liabilities as at 31st December 2005 and 31st December 2004 are as follows:

	eurozone		**Britain and Northern Ireland**		**Switzerland**		**United States**	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	%	%	**%**	%	**%**	%	**%**	%
Rate of increase in:								
- salaries	**4.00**	4.00	**4.50**	4.50	**2.25**	2.25	**4.50**	4.50
- pensions in payment	**2.00**	2.00	**3.00**	3.00	**1.50**	1.50	**-**	-
Inflation	**2.00**	2.00	**2.50**	2.50	**1.50**	1.50	**2.50**	2.50
Discount rate	**4.25**	4.75	**4.75**	5.25	**2.75**	3.25	**5.75**	5.75
Medical cost trend rate	**5.25**	5.25	**n/a**	n/a	**n/a**	n/a	**10.00**	10.00

Scheme assets

The long-term rates of return expected at 31st December 2005 and 31st December 2004, determined in conjuction with the Group's actuaries and analysed by class of investment, are as follows:

	eurozone		**Britain and Northern Ireland**		**Switzerland**		**United States**	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	%	%	**%**	%	**%**	%	**%**	%
Equities	**7.50**	7.75	**7.50**	7.75	**6.00**	6.00	**8.25**	8.25
Bonds	**3.50**	4.50	**4.00**	4.50	**2.75**	3.00	**5.75**	5.75
Property	**7.00**	7.00	**7.00**	7.00	**4.00**	4.00	**7.00**	7.00
Other	**3.00**	3.00	**3.50**	3.50	**2.50**	2.50	**3.00**	3.00

(a) Impact on Group Income Statement
Analysis of total expense - defined contribution and defined benefit

The total expense charged to the Group Income Statement in respect of defined contribution and defined benefit pension schemes, post-retirement healthcare obligations and long-term service commitments is as follows:

	2005	2004
	€m	€m
Defined contribution		
Total defined contribution expense	**99.3**	78.4
Defined benefit		
Defined benefit pension schemes (funded and unfunded)	**57.3**	45.8
Defined benefit post-retirement healthcare schemes (unfunded)	**1.3**	-
Defined benefit long-term service commitments (unfunded)	**5.3**	0.3
Total defined benefit expense	**63.9**	46.1
Total expense in Income Statement	**163.2**	124.5

27. Retirement Benefit Obligations *continued*

Analysis of defined benefit expense

The total defined benefit expense (comprising funded and unfunded defined benefit pension schemes and unfunded post-retirement healthcare obligations and long-term service commitments) is analysed as follows:

	eurozone		Britain and Northern Ireland		Switzerland		United States		Total Group	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	€m	€m	**€m**	€m	**€m**	€m	**€m**	€m	**€m**	€m
Charged in arriving at Group operating profit										
Current service cost	**35.0**	26.0	**15.8**	14.1	**10.5**	8.7	**6.5**	5.7	**67.8**	54.5
Past service cost	**1.5**	-	**-**	-	**-**	0.1	**-**	-	**1.5**	0.1
Subtotal	**36.5**	26.0	**15.8**	14.1	**10.5**	8.8	**6.5**	5.7	**69.3**	54.6
Included in finance revenue and finance costs respectively										
Expected return on scheme assets	**(51.3)**	(49.4)	**(23.2)**	(22.0)	**(9.8)**	(10.0)	**(9.4)**	(9.0)	**(93.7)**	(90.4)
Interest cost on scheme liabilities	**43.7**	39.4	**27.1**	25.4	**7.6**	7.4	**9.9**	9.7	**88.3**	81.9
Subtotal	**(7.6)**	(10.0)	**3.9**	3.4	**(2.2)**	(2.6)	**0.5**	0.7	**(5.4)**	(8.5)
Net charge to income statement	**28.9**	16.0	**19.7**	17.5	**8.3**	6.2	**7.0**	6.4	**63.9**	46.1
Actual return on pension scheme assets	**166.7**	65.5	**64.2**	25.6	**33.6**	6.6	**6.5**	10.1	**271.0**	107.8

There are no reimbursement rights recognised as assets in accordance with IAS 19 *Employee Benefits*.

(b) Impact on Group Balance Sheet

The net pension liability (comprising funded and unfunded defined benefit pension schemes and unfunded post-retirement healthcare obligations and long-term service commitments) as at 31st December 2005 is analysed as follows:

	eurozone		Britain and Northern Ireland		Switzerland		United States		Total Group	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	€m	€m	**€m**	€m	**€m**	€m	**€m**	€m	**€m**	€m
Equities	**559.3**	433.5	**266.6**	207.6	**97.0**	75.5	**90.9**	75.1	**1,013.8**	791.7
Bonds	**290.3**	253.7	**151.2**	126.9	**99.9**	93.9	**41.1**	36.7	**582.5**	511.2
Property	**64.2**	54.3	**3.1**	2.5	**57.6**	60.1	**1.5**	1.7	**126.4**	118.6
Other	**20.3**	22.2	**0.9**	2.1	**22.4**	13.8	**4.7**	5.0	**48.3**	43.1
Bid value of assets	**934.1**	763.7	**421.8**	339.1	**276.9**	243.3	**138.2**	118.5	**1,771.0**	1,464.6
Actuarial value of liabilities (present value)	**(1,092.3)**	(895.8)	**(651.2)**	(500.5)	**(276.9)**	(247.8)	**(201.1)**	(170.2)	**(2,221.5)**	(1,814.3)
Deficit in schemes	**(158.2)**	(132.1)	**(229.4)**	(161.4)	**-**	(4.5)	**(62.9)**	(51.7)	**(450.5)**	(349.7)
Related deferred income tax asset	**35.5**	36.9	**68.8**	48.4	**-**	1.5	**22.2**	20.7	**126.5**	107.5
Net pension liability	**(122.7)**	(95.2)	**(160.6)**	(113.0)	**-**	(3.0)	**(40.7)**	(31.0)	**(324.0)**	(242.2)

27. Retirement Benefit Obligations *continued*

Analysis of liabilities - funded and unfunded

	eurozone		Britain and Northern Ireland		Switzerland		United States		Total Group	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	€m	€m	**€m**	€m	**€m**	€m	**€m**	€m	**€m**	€m
Funded										
Defined benefit pension schemes	**(1,065.0)**	(893.2)	**(649.9)**	(499.2)	**(272.9)**	(243.9)	**(189.5)**	(161.0)	**(2,177.3)**	(1,797.3)
Unfunded										
Defined benefit pension schemes	**(11.8)**	(0.8)	**-**	-	**-**	-	**(4.3)**	(3.3)	**(16.1)**	(4.1)
Total - defined benefit pension schemes	**(1,076.8)**	(894.0)	**(649.9)**	(499.2)	**(272.9)**	(243.9)	**(193.8)**	(164.3)	**(2,193.4)**	(1,801.4)
Post-retirement healthcare obligations (unfunded)	**(8.6)**	(0.8)	**-**	-	**-**	-	**(7.3)**	(5.9)	**(15.9)**	(6.7)
Long-term service commitments (unfunded)	**(6.9)**	(1.0)	**(1.3)**	(1.3)	**(4.0)**	(3.9)	**-**	-	**(12.2)**	(6.2)
Actuarial value of liabilities (present value)	**(1,092.3)**	(895.8)	**(651.2)**	(500.5)	**(276.9)**	(247.8)	**(201.1)**	(170.2)	**(2,221.5)**	(1,814.3)

Split of asset values	**%**	%	**%**	%	**%**	%	**%**	%	**%**	%
Equities	**59.9**	56.8	**63.2**	61.2	**35.0**	31.0	**65.8**	63.4	**57.3**	54.1
Bonds	**31.1**	33.2	**35.9**	37.4	**36.1**	38.6	**29.7**	31.0	**32.9**	34.9
Property	**6.9**	7.1	**0.7**	0.8	**20.8**	24.7	**1.1**	1.4	**7.1**	8.1
Other	**2.1**	2.9	**0.2**	0.6	**8.1**	5.7	**3.4**	4.2	**2.7**	2.9
Total	**100**	100	**100**	100	**100**	100	**100**	100	**100**	100

The asset values above include €9.3 million in respect of investment in Ordinary Shares of the Company as at 31st December 2005 (2004 : €6.2 million).

Given that the Group transitioned to IFRS with effect from 1st January 2004, a five-year history in respect of assets, liabilities and actuarial gains and losses is not available.

Analysis of amount included in the Statement of Recognised Income and Expense (SORIE)

	eurozone		Britain and Northern Ireland		Switzerland		United States		Total Group	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	€m	€m	**€m**	€m	**€m**	€m	**€m**	€m	**€m**	€m
Actual return less expected return on scheme assets	**115.4**	16.1	**41.0**	3.6	**23.8**	(3.4)	**(2.9)**	1.1	**177.3**	17.4
Experience gains and losses arising on scheme liabilities	**29.9**	(5.2)	**3.3**	-	**5.5**	(2.6)	**3.5**	1.3	**42.2**	(6.5)
Changes in assumptions underlying the present value of scheme liabilities	**(177.1)**	(80.2)	**(105.2)**	(26.9)	**(23.3)**	(8.4)	**-**	(14.6)	**(305.6)**	(130.1)
Actuarial (loss)/gain recognised in SORIE	**(31.8)**	(69.3)	**(60.9)**	(23.3)	**6.0**	(14.4)	**0.6**	(12.2)	**(86.1)**	(119.2)

27. Retirement Benefit Obligations *continued*

The cumulative actuarial loss recognised in the SORIE is as follows (post 1st January 2004 being the transition date to IFRS):

	2005
	€m
Recognised in 2004 financial year	**(119.2)**
Recognised in 2005 financial year	**(86.1)**
Cumulative actuarial loss recognised in SORIE	**(205.3)**

Reconciliation of scheme assets (bid value)

	eurozone		**Britain and Northern Ireland**		**Switzerland**		**United States**		**Total Group**	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	€m	€m	**€m**	€m	**€m**	€m	**€m**	€m	**€m**	€m
At 1st January	**763.7**	690.0	**339.1**	306.7	**243.3**	191.2	**118.5**	119.0	**1,464.6**	1,306.9
Movement in year										
Translation adjustment	**-**	-	**9.6**	(1.4)	**(2.1)**	1.9	**18.4**	(9.4)	**25.9**	(8.9)
Arising on acquisition (note 33)	**-**	1.8	**-**	-	**0.6**	48.3	**-**	-	**0.6**	50.1
Employer contributions paid	**34.8**	24.2	**17.1**	15.7	**6.9**	6.3	**2.5**	6.2	**61.3**	52.4
Contributions paid by plan participants	**8.2**	7.4	**4.5**	4.1	**4.8**	4.5	**-**	-	**17.5**	16.0
Benefit payments	**(39.3)**	(25.2)	**(12.7)**	(11.6)	**(10.2)**	(15.5)	**(7.7)**	(7.4)	**(69.9)**	(59.7)
Actual return on scheme assets	**166.7**	65.5	**64.2**	25.6	**33.6**	6.6	**6.5**	10.1	**271.0**	107.8
At 31st December	**934.1**	763.7	**421.8**	339.1	**276.9**	243.3	**138.2**	118.5	**1,771.0**	1,464.6

Reconciliation of actuarial value of liabilities

	eurozone 2005 €m	eurozone 2004 €m	**Britain and Northern Ireland 2005 €m**	Britain and Northern Ireland 2004 €m	**Switzerland 2005 €m**	Switzerland 2004 €m	**United States 2005 €m**	United States 2004 €m	**Total Group 2005 €m**	Total Group 2004 €m
At 1st January	**(895.8)**	(760.2)	**(500.5)**	(444.0)	**(247.8)**	(181.7)	**(170.2)**	(164.2)	**(1,814.3)**	(1,550.1)
Movement in year										
Translation adjustment	**-**	-	**(14.1)**	2.4	**2.1**	(1.8)	**(25.7)**	15.3	**(37.7)**	15.9
Arising on acquisition (note 33)	**(0.2)**	(2.6)	**-**	-	**(0.7)**	(48.1)	-	-	**(0.9)**	(50.7)
Current service cost	**(35.0)**	(26.0)	**(15.8)**	(14.1)	**(10.5)**	(8.7)	**(6.5)**	(5.7)	**(67.8)**	(54.5)
Contributions paid by plan participants	**(8.2)**	(7.4)	**(4.5)**	(4.1)	**(4.8)**	(4.5)	**-**	-	**(17.5)**	(16.0)
Benefit payments	**39.3**	25.2	**12.7**	11.6	**10.2**	15.5	**7.7**	7.4	**69.9**	59.7
Past service cost: benefit enhancements	**(1.5)**	-	**-**	-	**-**	(0.1)	-	-	**(1.5)**	(0.1)
Interest cost on scheme liabilities	**(43.7)**	(39.4)	**(27.1)**	(25.4)	**(7.6)**	(7.4)	**(9.9)**	(9.7)	**(88.3)**	(81.9)
Actuarial gains/(losses) arising on:										
Experience variations	**29.9**	(5.2)	**3.3**	-	**5.5**	(2.6)	**3.5**	1.3	**42.2**	(6.5)
Changes in assumptions	**(177.1)**	(80.2)	**(105.2)**	(26.9)	**(23.3)**	(8.4)	**-**	(14.6)	**(305.6)**	(130.1)
At 31st December	**(1,092.3)**	(895.8)	**(651.2)**	(500.5)	**(276.9)**	(247.8)	**(201.1)**	(170.2)	**(2,221.5)**	(1,814.3)

27. Retirement Benefit Obligations *continued*

Anticipated employer contributions payable in the 2006 financial year (expressed using average exchange rates for 2005) amount to €64.2 million in aggregate.

History of actuarial gains and losses

	eurozone		Britain and Northern Ireland		Switzerland		United States		Total Group	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	€m	€m	**€m**	€m	**€m**	€m	**€m**	€m	**€m**	€m
Actual return less expected return on scheme assets	**115.4**	16.1	**41.0**	3.6	**23.8**	(3.4)	**(2.9)**	1.1	**177.3**	17.4
% of scheme assets	**12.4%**	2.1%	**9.7%**	1.1%	**8.6%**	(1.4%)	**(2.1%)**	0.9%	**10.0%**	1.2%
Experience gains and losses arising on scheme liabilities	**29.9**	(5.2)	**3.3**	-	**5.5**	(2.6)	**3.5**	1.3	**42.2**	(6.5)
% of scheme liabilities (present value)	**(2.7%)**	0.6%	**(0.5%)**	-	**(2.0%)**	1.0%	**(1.7%)**	(0.8%)	**(1.9%)**	0.4%
Actuarial (loss)/gain recognised in SORIE	**(31.8)**	(69.3)	**(60.9)**	(23.3)	**6.0**	(14.4)	**0.6**	(12.2)	**(86.1)**	(119.2)
% of scheme liabilities (present value)	**2.9%**	7.7%	**9.4%**	4.7%	**(2.2%)**	5.8%	**(0.3%)**	7.2%	**3.9%**	6.6%

Post-retirement healthcare benefits
Sensitivity analysis on key actuarial assumptions

	eurozone 2005	eurozone 2004	Britain and Northern Ireland 2005	Britain and Northern Ireland 2004	Switzerland 2005	Switzerland 2004	United States 2005	United States 2004	Total Group 2005	Total Group 2004
Impact on current service cost:										
- decrease of one percentage point in medical cost trend rate	**-**	-	**n/a**	n/a	**n/a**	n/a	**-**	-	**-**	-
- increase of one percentage point in medical cost trend rate	**0.1**	-	**n/a**	n/a	**n/a**	n/a	**-**	-	**0.1**	-
Impact on interest cost:										
- decrease of one percentage point in medical cost trend rate	**-**	-	**n/a**	n/a	**n/a**	n/a	**-**	-	**-**	-
- increase of one percentage point in medical cost trend rate	**0.1**	-	**n/a**	n/a	**n/a**	n/a	**-**	-	**0.1**	-
Accumulated obligation:										
- decrease of one percentage point in medical cost trend rate	**(1.2)**	(0.1)	**n/a**	n/a	**n/a**	n/a	**(0.5)**	(0.4)	**(1.7)**	(0.5)
- increase of one percentage point in medical cost trend rate	**1.5**	0.1	**n/a**	n/a	**n/a**	n/a	**0.6**	0.4	**2.1**	0.5

28. Capital Grants

	2005 €m	2004 €m
At 1st January	**12.4**	12.7
Translation adjustment	**-**	-
Arising on acquisition (note 33)	**0.2**	2.2
Received	**1.5**	0.2
Repayments	**-**	(0.5)
	14.1	14.6
Released to Group Income Statement	**(2.0)**	(2.2)
At 31st December	**12.1**	12.4

There are no unfulfilled conditions or other contingencies attaching to capital grants received.

29. Share Capital - Equity and Preference

31st December 2005	**Equity**		**Preference**	
	Ordinary Shares of €0.32 each	**Income Shares of €0.02 each (i)**	**5% Cumulative Preference Shares of €1.27 each (ii)**	**7% 'A' Cumulative Preference Shares of €1.27 each (iii)**
	€m	**€m**	**€m**	**€m**
Authorised				
At 1st January and 31st December	**235.2**	**14.7**	**0.2**	**1.1**
Number of Shares (000s)	**735,000**	**735,000**	**150**	**872**
Allotted, called-up and fully paid				
At 1st January	**170.3**	**10.7**	**0.1**	**1.1**
Share options and share participation schemes (iv)	**1.0**	**-**	**-**	**-**
Shares issued in lieu of dividends (v)	**0.3**	**-**	**-**	**-**
At 31st December	**171.6**	**10.7**	**0.1**	**1.1**
Number of Shares (000s)	**536,324**	**536,324**	**50**	**872**

The corresponding disclosure in respect of the period ended 31st December 2004 is as follows:

Authorised				
At 1st January and 31st December	235.2	14.7	0.2	1.1
Number of Shares (000s)	735,000	735,000	150	872
Allotted, called-up and fully paid				
At 1st January	168.7	10.6	0.1	1.1
Share options and share participation schemes (iv)	0.9	0.1	-	-
Shares issued in lieu of dividends (v)	0.7	-	-	-
At 31st December	170.3	10.7	0.1	1.1
Number of Shares (000s)	532,598	532,598	50	872

(i) Income Shares

The Income Shares were created on 29th August 1988 for the express purpose of giving shareholders the choice of receiving dividends on either their Ordinary Shares or on their Income Shares (by notice of election to the Company). The Income Shares carried a different tax credit to the Ordinary Shares. The creation of the Income Shares was achieved by the allotment of fully paid Income Shares to each shareholder equal to his/her holding of Ordinary Shares but the shareholder is not entitled to an Income Share certificate, as a certificate for Ordinary Shares is deemed to include an equal number of Income Shares and a shareholder may only sell, transfer or transmit Income Shares with an equivalent number of Ordinary Shares. Income Shares carry no voting rights. Due to changes in Irish tax legislation since the creation of the Income Shares, dividends on the Company's shares no longer carry a tax credit. As elections made by shareholders to receive dividends on their holding of Income Shares were no longer relevant, the Articles of Association were amended on 8th May 2002 to cancel such elections.

29. Share Capital - Equity and Preference *continued*

(ii) 5% Cumulative Preference Shares

The holders of the 5% Cumulative Preference Shares are entitled to a fixed cumulative preferential dividend at a rate of 5% per annum and priority in a winding-up to repayment of capital, but have no further right to participate in profits or assets and are not entitled to be present or vote at general meetings unless their dividend is in arrears. Dividends on the 5% Cumulative Preference Shares are payable half-yearly on 15th April and 15th October in each year.

(iii) 7% 'A' Cumulative Preference Shares

The holders of the 7% 'A' Cumulative Preference Shares are entitled to a fixed cumulative preference dividend at a rate of 7% per annum, and subject to the rights of the holders of the 5% Cumulative Preference Shares, priority in a winding-up to repayment of capital but have no further right to participate in profits or assets and are not entitled to be present or vote at general meetings unless their dividend is in arrears. Dividends on the 7% 'A' Cumulative Preference Shares are payable half-yearly on 5th April and 5th October in each year.

(iv) Share schemes

Details of share options granted under the Company's share option schemes and savings-related share option schemes and the terms attaching thereto are provided in note 7 to the financial statements and in the Report on Directors' Remuneration on pages 50 to 55.

Share participation schemes At 31st December 2005, 5,427,090 (2004 : 5,130,287) Ordinary Shares had been appropriated to participation schemes. The Ordinary Shares appropriated pursuant to these schemes were issued at market value on the dates of appropriation. The shares issued pursuant to these schemes are excluded from the scope of IFRS 2 *Share-based Payment* and are hence not factored into the expense computation and the associated disclosures in note 7.

During the ten-year period commencing on 3rd May 2000, the total number of Ordinary Shares which may be issued, in respect of the share option schemes, the savings-related share option schemes, the share participation schemes and any subsequent share option schemes, may not exceed 15% in aggregate of the issued Ordinary share capital from time to time.

(v) Shares issued in lieu of dividends

In May 2005, 817,895 (2004 : 1,887,001) Ordinary Shares were issued to the holders of Ordinary Shares who elected to receive additional Ordinary Shares at a price of €20.60 (2004 : €16.91) per share, instead of part or all of the cash element of their 2004 and 2003 final dividends. In November 2005, 182,387 (2004 : 230,009) Ordinary Shares were issued to the holders of Ordinary Shares who elected to receive additional Ordinary Shares at a price of €22.92 (2004 : €19.34) per share, instead of part or all of the cash element of their 2005 and 2004 interim dividends.

30. Reserves

	2005				2004			
	Share premium account €m	**Other reserves €m**	**Foreign currency translation reserve €m**	**Retained income €m**	Share premium account €m	Other reserves €m	Foreign currency translation reserve €m	Retained income €m
At 1st January	**2,149.3**	**23.5**	**(179.9)**	**2,770.1**	2,078.3	13.8	-	2,148.2
Currency translation effects	**-**	**-**	**413.4**	**-**	-	-	(179.9)	-
Premium on shares issued	**59.2**	**-**	**-**	**-**	71.3	-	-	-
Expenses paid in respect of share issues	**(0.2)**	**-**	**-**	**-**	(0.3)	-	-	-
Expensing of employee share options (note 7)	**-**	**13.9**	**-**	**-**	-	9.7	-	-
Dividends (including shares issued in lieu of dividend) (note 11)	**-**	**-**	**-**	**(185.2)**	-	-	-	(156.0)
Actuarial loss on Group defined benefit pension obligations (note 27)	**-**	**-**	**-**	**(86.1)**	-	-	-	(119.2)
Deferred tax asset on Group defined benefit pension obligations	**-**	**-**	**-**	**21.7**	-	-	-	31.3
Deferred tax asset on employee share options	**-**	**-**	**-**	**12.3**	-	-	-	-
Gains/(losses) relating to cash flow hedges	**-**	**-**	**-**	**2.7**	-	-	-	(0.3)
Deferred tax liability on cash flow hedges	**-**	**-**	**-**	**(0.7)**	-	-	-	-
Group profit for the financial year attributable to equity holders of the Company	**-**	**-**	**-**	**997.9**	-	-	-	866.1
At 31st December	**2,208.3**	**37.4**	**233.5**	**3,532.7**	2,149.3	23.5	(179.9)	2,770.1

30. Reserves *continued*

Reconciliation of shares issued (including premium thereon) to proceeds shown in Group Cash Flow Statement

	2005 €m	2004 €m
Premium on shares issued	**59.2**	71.3
Shares issued at nominal amount (note 29):		
- share options and share participation schemes	**1.0**	1.0
- shares issued in lieu of dividends	**0.3**	0.7
Total value of shares issued	**60.5**	73.0
Shares issued in lieu of dividends	**(21.0)**	(36.4)
Proceeds from issue of shares - Group Cash Flow Statement	**39.5**	36.6

31. Minority Interest

	2005 €m	2004 €m
At 1st January	**34.2**	26.2
Translation adjustment	**0.8**	1.1
Profit after tax (less attributable to associates)	**8.2**	5.5
Joint venture becoming an associate	**-**	(0.4)
Dividends paid by subsidiaries to minority interests	**(9.4)**	(2.6)
Arising on acquisition (note 33)	**4.2**	4.4
Shares issued to minority interests	**0.3**	-
At 31st December	**38.3**	34.2

32. Commitments under Operating and Finance Leases

Operating leases

Future minimum rentals payable under non-cancellable operating leases at 31st December are as follows:

	2005 €m	2004 €m
Within one year	**152.3**	113.0
After one year but not more than five years	**344.9**	232.3
More than five years	**187.8**	161.0
	685.0	506.3

Finance leases

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

		2005		2004
	Minimum payments €m	**Present value of payments €m**	Minimum payments €m	Present value of payments €m
Within one year	**15.2**	**13.3**	13.0	11.5
After one year but not more than five years	**34.9**	**30.1**	38.7	34.5
More than five years	**7.1**	**6.0**	9.8	8.3
Total minimum lease payments	**57.2**		61.5	
Less: amounts allocated to future finance costs	**(7.8)**		(7.2)	
Present value of minimum lease payments	**49.4**	**49.4**	54.3	54.3

33. Acquisition of Subsidiaries and Joint Ventures

The principal business combinations completed during the period by reporting segment, together with the completion dates, were as follows (these transactions entailed the acquisition of a 100% stake where not indicated to the contrary):

Europe
Materials: Skanska Betoni and Elpotek (both 31st December) in Finland; Prefabet Niegocin (7th July) and an 80% stake in Bazaltex in Poland (acquired in two stages 4th February and 14th July).

Products: Hofman (20th June) and Marmorith (13th July) in Belgium; RBR (15th December) in Denmark; Laubeuf Group (3rd February) and Stradal (15th August) in France; Syncotec (18th October) in Germany; Arfman (31st May) and Leebo (2nd June) in the Netherlands; Cerpol (14th July) in Poland; Aschwanden (6th June) in Switzerland and Manchester Brick & Precast (3rd March) and the buyout of Geoquip in the United Kingdom.

Distribution: Quester (13th October) in Austria; 47.82% stake in Bauking in Germany (stake acquired in two stages on the 15th and 23rd December); FR Schneider (25th July) and Baucasch (23rd November) in Switzerland.

Americas
Materials: Mountain Home Redi-Mix Inc (1st March) in Idaho; Peterson Companies (29th March), West Des Moines Sand Company (31st March), KP Materials (15th August) and Reilly Recycling (29th August), all in Iowa; Kruse Paving Inc. (9th September) in Iowa and Minnesota; Mountain Companies (28th October) in Kentucky; Blue Rock Industries (16th December) in Maine; Southern Minnesota Construction (2nd August) in Minnesota; Tri-Cities Aggregate (13th July) in New York; Coppola Concrete Supply (6th September) in New Mexico; Dielman (3rd January), Erie Blacktop Materials (14th February), 50% of Scioto Materials LLC (4th April), C.E. Duff & Sons' McVitty quarry (27th June) and Stansley Trucking (30th November) all in Ohio; Pave & Seal (30th June) in Oregon; Fife Rock Products (25th March) in Utah; and Wyoming Materials & Improvement (11th April) in Wyoming.

Products: Contractors/Engineers Supply (1st July) in Arizona; Arkalite Corporation (18th November) in Arkansas; Central Precast (7th February) and Fulton Windows (30th June) in Canada; P&L Bark Nurseries (12th January) in the Carolinas and certain assets of S.T. Wooten Corp. (6th September) in North Carolina; Jolly Gardener (14th October) in Florida; Earth Pak (7th September) in Georgia; Vanguard Products Corp. (18th July) in Kansas; and Packaged Systems (4th November) in West Virginia.

Distribution: Atlantic Building Materials (22nd December) in Florida; RME Construction & Supply (30th June) in Hawaii; Astro Building Products (7th December) in Michigan; Dashco (19th January) and Norge Builders (1st June) in New Jersey; Bryant Building Products (17th January) in Ohio; Interstate Roofing Supply (3rd November) in Utah; and Global Building Supply (30th June) in Washington D.C.

	2005 €m	2004 €m
Identifiable net assets acquired (excluding net debt assumed)		
Assets		
Non-current assets		
Property, plant and equipment (note 13)	**502.4**	807.7
Intangible assets: – Goodwill (note 14)	**323.6**	189.8
– Other intangible assets (note 14)	**46.4**	22.6
Investments in associates (note 15)	**11.9**	(12.3)
Other financial assets (note 15)	**9.0**	39.9
Deferred income tax assets (note 26)	**11.9**	10.4
Total non-current assets	**905.2**	1,058.1
Current assets		
Inventories (note 20)	**190.3**	85.8
Trade and other receivables (note 20)	**247.5**	231.2
Total current assets	**437.8**	317.0
Equity		
Minority interest (note 31)	**(4.2)**	(4.4)
Total equity	**(4.2)**	(4.4)
Liabilities		
Non-current liabilities		
Deferred income tax liabilities (note 26)	**(24.1)**	(135.9)
Retirement benefit obligations (note 27)	**(0.3)**	(0.6)
Provisions for liabilities and charges (stated at net present cost) (note 25)	**(13.8)**	(11.7)
Capital grants (note 28)	**(0.2)**	(2.2)
Total non-current liabilities	**(38.4)**	(150.4)

33. Acquisition of Subsidiaries and Joint Ventures *continued*

	2005 €m	2004 €m
Current liabilities		
Trade and other payables (note 20)	**(228.4)**	(185.1)
Current income tax liabilities	**(2.9)**	(3.6)
Total current liabilities	**(231.3)**	(188.7)
Total consideration (enterprise value)	**1,069.1**	1,031.6
Satisfied by		
Cash payments	**860.1**	767.4
Professional fees incurred on business combinations	**6.2**	11.4
Cash and cash equivalents acquired on acquisition (note 24)	**(58.0)**	(67.4)
Net cash outflow	**808.3**	711.4
Net debt (other than cash and cash equivalents) assumed on acquisition:		
- non-current interest-bearing loans and borrowings and finance leases (note 24)	**28.0**	128.4
- current interest-bearing loans and borrowings and finance leases (note 24)	**109.6**	141.5
Deferred and contingent acquisition consideration (stated at net present cost) (note 20)	**123.2**	50.3
Total consideration (enterprise value)	**1,069.1**	1,031.6

None of the business combinations completed during the period were considered sufficiently material to warrant separate disclosure of the fair values attributable to those combinations.

An excess in the fair value of identifiable net assets acquired over consideration paid arose during the period in respect of certain of the business combinations quoted above. This amount of €4.3 million (2004 : €10.9 million) has been recognised immediately in the Income Statement as a component of other operating income as disclosed in note 3.

No contingent liabilities were recognised on the business combinations completed during the financial year.

The carrying amounts of the assets and liabilities acquired determined in accordance with IFRS before completion of the combination together with the adjustments made to those carrying values to arrive at the fair values disclosed above were as follows:

	Book values €m	Fair value adjustments €m	Other adjustments €m	Fair value €m
Non-current assets (excluding goodwill)	**507.4**	**73.4**	**0.8**	**581.6**
Current assets	**418.2**	**20.3**	**(0.7)**	**437.8**
Non-current liabilities	**(26.6)**	**(14.5)**	**(1.5)**	**(42.6)**
Current liabilities	**(215.0)**	**(13.2)**	**(3.1)**	**(231.3)**
Identifiable net assets acquired (excluding goodwill and net debt assumed)	**684**	**66.0**	**(4.5)**	**745.5**
Goodwill arising on acquisition	**385.1**	**(66.0)**	**4.5**	**323.6**
Total consideration (enterprise value)	**1,069.1**	**-**	**-**	**1,069.1**

The initial assignment of fair values to identifiable net assets acquired has been performed on a provisional basis in respect of a number of the business combinations disclosed above given the timing of closure of these deals; any amendments to these fair values made during the subsequent reporting window (within the twelve-month timeframe from the acquisition date imposed by IFRS 3) will be subject to disclosure in the 2006 Annual Report. The total adjustments processed to the fair values of business combinations completed during 2004 where these fair values were not readily or practicably determinable as at the end of the prior year were as follows:

	Initial fair value assigned €m	Adjustments €m	Revised fair value €m
Non-current assets (excluding goodwill)	**52.4**	**0.8**	**53.2**
Current assets	**34.9**	**(0.4)**	**34.5**
Non-current liabilities	**(4.8)**	**(0.6)**	**(5.4)**
Current liabilities	**(12.6)**	**(0.3)**	**(12.9)**
Identifiable net assets acquired (excluding goodwill and net debt assumed)	**69.9**	**(0.5)**	**69.4**
Goodwill arising on acquisition	**13.3**	**-**	**13.3**
Total consideration (enterprise value)	**83.2**	**(0.5)**	**82.7**

33. Acquisition of Subsidiaries and Joint Ventures *continued*

The post-acquisition impact of business combinations completed during the year on Group profit for the financial year was as follows:

	2005 €m	2004 €m
Revenue	**448.3**	591.0
Cost of sales	**(345.3)**	(403.9)
Gross profit	**103.0**	187.1
Operating costs	**(84.7)**	(114.8)
Group operating profit	**18.3**	72.3
Profit on disposal of fixed assets	**0.2**	3.1
Profit before finance costs	**18.5**	75.4
Finance costs (net)	**(6.9)**	(11.8)
Profit before tax	**11.6**	63.6
Income tax expense	**(2.5)**	(20.6)
Group profit for the financial year	**9.1**	43.0

The revenue and profit of the Group for the financial year determined in accordance with IFRS as though the acquisition dates for all business combinations effected during the year had been the beginning of that year would be as follows:

	2005 €m	2004 €m
Revenue	**15,593.8**	13,078.5
Group profit for the financial year	**1,030.2**	876.3

As is the norm with CRH development activity, a number of business combinations have been completed subsequent to the balance sheet date. As none of these combinations is individually material to the Group thereby requiring disclosure under either IFRS 3 or IAS 10 *Events after the Balance Sheet Date*, these transactions will be addressed in the Development Strategy Update which is issued by the Group twice-yearly.

34. Reconciliations from Irish GAAP to IFRS

Up to and including the financial year ended 31st December 2004, the Group prepared its consolidated financial statements in accordance with Irish GAAP, which is consistent with UK GAAP.

Detailed explanations of the adjustments made to the full-year 2004 Group Income Statement and the Group Balance Sheet as at 31st December 2004 have been provided in the press release entitled "Restatement of 2004 Results under International Financial Reporting Standards", which was published on 31st May 2005 and which is available on the Group's website www.crh.com. The following is a brief synopsis of the principal changes on transition to IFRS:

Overview

The transition date to IFRS (being the beginning of the period for which the Group presents full comparative information under IFRS in its first IFRS financial statements as stipulated under IFRS 1 *First-time Adoption of International Financial Reporting Standards)*, was 1st January 2004. The standards which gave rise to the most significant changes to the consolidated results of the Group on transition to IFRS were as follows:

- IFRS 2 *Share-based Payment;*
- IFRS 3 *Business Combinations;*
- IAS 12 *Income Taxes;*
- IAS 19 *Employee Benefits;*
- IAS 28 *Investments in Associates;*
- IAS 31 *Interests in Joint Ventures;*
- IAS 32 *Financial Instruments: Disclosure and Presentation;*
- IAS 37 *Provisions, Contingent Liabilities and Contingent Assets;*
- IAS 38 *Intangible Assets;* and
- IAS 39 *Financial Instruments: Recognition and Measurement.*

34. Reconciliations from Irish GAAP to IFRS *continued*

Principal exemptions availed of on transition to IFRS
Exemptions under IFRS 1 *First-time Adoption of International Financial Reporting Standards*
In accordance with IFRS 1, which establishes the framework for transition to IFRS by a first-time adopter such as CRH, the Group elected to avail of a number of specified exemptions from the general principle of retrospective restatement as follows:
(i) Business combinations undertaken prior to the transition date of 1st January 2004 were not subject to restatement; accordingly, goodwill as at the transition date was carried forward at its net book value and, together with goodwill arising on business combinations subsequent to the transition date, was subject to annual impairment testing in accordance with IAS 36 *Impairment of Assets*. As required under IFRS 1, goodwill was assessed for impairment as at the transition date and no impairment resulted from this exercise.
(ii) The fixed asset revaluation performed as at 31st December 1980 and referred to in note 13 to the financial statements was regarded as deemed cost and therefore remained unadjusted on transition to IFRS.
(iii) The cumulative actuarial gains and losses applicable to the Group's defined benefit pension schemes at the transition date were recognised in full in the Transition Balance Sheet and adjusted against retained income.
(iv) IFRS require that on disposal of a foreign operation, the cumulative amount of currency translation differences previously recognised directly in reserves for that operation be transferred to the Income Statement as part of the profit or loss on disposal. CRH deemed the cumulative currency translation differences applicable to foreign operations to be zero as at the transition date. The cumulative currency translation differences arising after the transition date were reclassified from retained income to a separate component of equity (termed the "foreign currency translation reserve") with no net impact on capital and reserves attributable to the Company's equity holders.

As a result of the exemptions described above, financial results and summarised historical financial information previously published for the Group for periods prior to 2004 (as contained in the Group Financial Summary on page 118) have not been restated under IFRS.

Other options availed of on transition
In compliance with the transitional arrangements set out in IFRS 2, this standard was applied in respect of share options granted after 7th November 2002. The expense reported in the 2004 full-year income statement was thus based on share options (including savings-related share options) issued in April 2003 and April 2004.

The Group opted to pursue early implementation of the financial instruments standards (IAS 32 and IAS 39) with effect from the transition date taking account of the prohibition on the fair valuation of financial liabilities imposed by the version of IAS 39 approved by the European Union. Given the delay encountered in securing European Union approval, the effective date of the revised versions of IAS 32 and IAS 39 is 1st January 2005.

On the introduction of FRS 17 *Retirement Benefits* in 2001, CRH, together with the majority of publicly-listed entities, elected to continue to account for its pension obligations under SSAP 24 *Accounting for Pension Costs* and to disclose the impact of FRS 17 in the notes to the financial statements. FRS 17 required immediate recognition of actuarial gains and losses on defined benefit pension schemes in the Statement of Total Recognised Gains and Losses. The Group therefore determined that prospective application of the corridor methodology under IAS 19 would not be appropriate and elected to avail of early application of the Amendment to IAS 19 *Actuarial Gains and Losses, Group Plans and Disclosures* which enables the recognition of actuarial gains and losses in retained income via the Statement of Recognised Income and Expense (termed "SORIE"); the disclosures made in respect of the Group's retirement benefit obligations in note 27 to the financial statements have been prepared in accordance with this Amendment.

The interest cost associated with pension scheme liabilities under IFRS, together with the expected return on pension scheme assets, are included within finance costs and finance revenue on the face of the Group Income Statement. Current service costs and any past service items stemming from benefit enhancements or curtailments are dealt with as components of operating costs.

Detailed reconciliations from Irish GAAP to IFRS of the Group's financial performance, financial position and cash flows, together with note explanations of the principal changes, are contained in the following pages.

34. Reconciliations from Irish GAAP to IFRS *continued*

Group Income Statement

for the year ended 31st December 2004

All figures in € millions	Previous Irish GAAP	Adjustments under IFRS										Restated under IFRS
		Share-based payments (i)	Business combinations (ii)	Intangible assets (iii)	Income tax (iv)	Pensions (v)	Joint ventures (vi)	Associates (vii)	Discounting (viii)	Derivatives (ix)	Dividends/ Min. interest (x)	
Turnover incl. share of joint ventures	**12,819.7**											
Less: share of joint ventures	**539.6**											
Group turnover	**12,280.1**						474.4					**12,754.5**
Cost of sales	**8,412.2**		3.3				301.9					**8,717.4**
Gross profit	**3,867.9**		(3.3)				172.5					**4,037.1**
Operating costs excluding goodwill amortisation	**2,710.0**	9.7	(10.9)	4.1		0.1	110.1		(9.4)	3.2		**2,816.9**
Group operating profit	**1,157.9**	(9.7)	7.6	(4.1)		(0.1)	62.4		9.4	(3.2)		**1,220.2**
Share of JV's operating profit	**67.4**						(67.4)					**-**
Share of associates' operating profit	**21.7**							(21.7)				**-**
Operating profit excluding goodwill amortisation	**1,247.0**	(9.7)	7.6	(4.1)		(0.1)	(5.0)	(21.7)	9.4	(3.2)		**1,220.2**
Goodwill amortisation	**101.4**		(93.1)				(7.4)	(0.9)				**-**
Profit on disposal of fixed assets	**11.3**						(0.2)	(0.3)				**10.8**
Profit on ordinary activities before interest	**1,156.9**	(9.7)	100.7	(4.1)		(0.1)	2.2	(21.1)	9.4	(3.2)		**1,231.0**
Group interest payable (net)	**126.0**					(8.5)	11.7		11.3	3.8	2.1	**146.4**
Share of JV's and associates' interest	**13.9**						(12.8)	(1.1)				**-**
Share of associates' profit after tax	**-**						4.5	14.9				**19.4**
Profit on ordinary activities before taxation	**1,017.0**	(9.7)	100.7	(4.1)		8.4	7.8	(5.1)	(1.9)	(7.0)	(2.1)	**1,104.0**
Taxation on profit on ordinary activities	**247.1**	(9.0)	1.9		(7.0)	2.0	3.0	(6.0)		0.2		**232.2**
Profit on ordinary activities after taxation	**769.9**	(0.7)	98.8	(4.1)	7.0	6.4	4.8	0.9	(1.9)	(7.2)	(2.1)	**871.8**
Profit attributable to equity minority interests	**7.8**										(7.8)	**-**
Preference dividends	**0.1**										(0.1)	**-**
Profit for the year attributable to ordinary shareholders	**762.0**	(0.7)	98.8	(4.1)	7.0	6.4	4.8	0.9	(1.9)	(7.2)	5.8	**871.8**
Dividends paid	**51.0**										(51.0)	**-**
Dividends proposed	**124.7**										(124.7)	**-**
Profit retained for the financial year	**586.3**	(0.7)	98.8	(4.1)	7.0	6.4	4.8	0.9	(1.9)	(7.2)	181.5	**871.8**

Notes in relation to adjustments made on transition to IFRS

(i) Expensing of employee share options issued post 7th November 2002 together with the movement in the deferred income tax asset applicable in those jurisdictions where the expense is deductible for tax purposes.

(ii) Cessation of goodwill amortisation post the transition date to IFRS in respect of subsidiaries, joint ventures and associates; recognition of "negative goodwill" on 2004 business combinations and charge to the Income Statement arising from the restatement of work-in-progress and finished goods inventory on 2004 business combinations.

(iii) Amortisation of intangible assets recognised on business combinations completed during 2004.

(iv) Unwinding of fair value uplift booked through deferred income tax liabilities and retained income as at the transition date offset to some extent by a net charge in respect of temporary differences not previously recognised under Irish GAAP.

(v) Income Statement impact of accounting for defined benefit pension and post-retirement healthcare schemes under IAS 19.

(vi) Line-by-line proportionate consolidation of joint ventures under IAS 31 together with the reclassification of some joint ventures as associates under IFRS; in respect of associates only, the Group's share of revenue, operating profit, finance costs and tax previously included in the Income Statement on the basis of gross equity accounting under Irish GAAP have been excluded (see point (vii)).

(vii) Irish GAAP reporting of the Group's share of operating profit, finance costs and tax of associates not permitted under IAS 28; associates are reported in the Income Statement as a single-line item on a profit after tax basis.

(viii) Unwinding of discounting of provisions and deferred/contingent acquisition consideration together with the restatement of payment profiles, where applicable.

(ix) Mark-to-market of designated and undesignated derivative financial instruments together with movements in deferred tax arising from the application of fair value accounting under IAS 39.

(x) Preference dividend payable in respect of non-recourse preference capital funding for the Group's investment in its Israeli associate treated as debt under IAS 32 and therefore reclassified from minority interest to finance costs; profit applicable to minority interests and dividends are not permitted expenses under IFRS and have therefore been excluded in arriving at Group profit for the financial year.

34. Reconciliations from Irish GAAP to IFRS *continued*

Group Balance Sheet

as at 31st December 2004

All figures in € millions	Previous Irish GAAP	Adjustments under IFRS: Share-based payments (i)	Business combinations (ii)	Income tax (iii)	Pensions (iv)	Joint ventures (v)	Discounting (vi)	Derivatives (vii)	Dividends/ Min. interest (viii)	Reclass-ifications (ix)	Restated under IFRS
ASSETS											
Non-current assets											
Property, plant and equipment	**5,319.9**			19.4		491.3					**5,830.6**
Intangible assets - goodwill	**1,443.5**		78.0	7.4	0.6	227.4					**1,756.9**
Intangible assets - other	**-**		17.2								**17.2**
Investments in joint ventures:											
- share of gross assets	**993.1**					(993.1)					**-**
- share of gross liabilities	**(535.1)**					535.1					**-**
- loans to joint ventures	**83.5**					(83.5)					**-**
Investments in associates	**149.2**		0.7			28.9					**178.8**
Derivative financial instruments	**-**							173.2			**173.2**
Other financial assets	**11.7**					101.5					**113.2**
Deferred income tax assets	**-**	18.5		207.4	101.2	7.1		1.1			**335.3**
Total non-current assets	**7,465.8**	18.5	95.9	234.2	101.8	314.7		174.3			**8,405.2**
Current assets											
Inventories	**1,249.6**		1.3			58.0					**1,308.9**
Trade and other receivables	**1,829.8**					132.9	10.4				**1,973.1**
Derivative financial instruments	**-**							1.1			**1.1**
Liquid investments	**-**									311.7	**311.7**
Cash and cash equivalents	**1,322.4**					61.3				(311.7)	**1,072.0**
Total current assets	**4,401.8**		1.3			252.2	10.4	1.1		-	**4,666.8**
Total assets	**11,867.6**	18.5	97.2	234.2	101.8	566.9	10.4	175.4		-	**13,072.0**
EQUITY											
Capital and reserves attributable to the Company's equity holders											
Equity share capital	**181.0**										**181.0**
Preference share capital	**1.2**										**1.2**
Share premium account	**2,149.3**										**2,149.3**
Other reserves	**9.9**	13.6									**23.5**
Foreign currency translation reserve	**-**		(3.6)	17.9	2.5	(0.4)	(1.3)	5.1		(200.1)	**(179.9)**
Retained income	**2,876.4**	4.9	103.0	(358.9)	(213.2)	(3.3)	47.5	(11.1)	124.7	200.1	**2,770.1**
	5,217.8	18.5	99.4	(341.0)	(210.7)	(3.7)	46.2	(6.0)	124.7	-	**4,945.2**
Minority interest	**82.6**		1.7	(0.7)		4.8			(54.2)		**34.2**
Total equity	**5,300.4**	18.5	101.1	(341.7)	(210.7)	1.1	46.2	(6.0)	70.5	-	**4,979.4**
LIABILITIES											
Non-current liabilities											
Interest-bearing loans and borrowings	**3,351.1**					274.3		122.8	54.2		**3,802.4**
Derivative financial instruments	**-**							51.9			**51.9**
Deferred income tax liabilities	**528.3**			371.4		86.8		0.9			**987.4**
Trade and other payables	**103.4**		(5.0)			29.7	(6.1)				**122.0**
Retirement benefit obligations	**-**				347.2	2.5					**349.7**
Provisions for liabilities and charges	**325.7**		0.3		(10.2)		(133.5)				**182.3**
Capital grants	**11.0**					1.4					**12.4**
Total non-current liabilities	**4,319.5**		(4.7)	371.4	337.0	394.7	(139.6)	175.6	54.2		**5,508.1**
Current liabilities											
Trade and other payables	**1,638.0**		(1.0)		(25.1)	122.5	7.7				**1,742.1**
Current income tax liabilities	**73.0**		1.8	204.5	0.6	4.6					**284.5**
Interest-bearing loans and borrowings	**412.0**					44.0		(204.6)			**251.4**
Derivative financial instruments	**-**							210.4			**210.4**
Provisions for liabilities and charges	**-**						96.1				**96.1**
Dividends proposed	**124.7**								(124.7)		**-**
Total current liabilities	**2,247.7**		0.8	204.5	(24.5)	171.1	103.8	5.8	(124.7)		**2,584.5**
Total liabilities	**6,567.2**		(3.9)	575.9	312.5	565.8	(35.8)	181.4	(70.5)		**8,092.6**
Total equity and liabilities	**11,867.6**	18.5	97.2	234.2	101.8	566.9	10.4	175.4	-		**13,072.0**
Net debt (x)	**2,440.7**	-	-	-	-	257.0	-	6.2	54.2	-	**2,758.1**

see notes overleaf

34. Reconciliations from Irish GAAP to IFRS *continued*

Notes in relation to adjustments made to the Group Balance Sheet as at 31st December 2004 on transition to IFRS

(i) Recording of share-based payments expense in respect of share options issued to employees subsequent to 7th November 2002 in combination with the related deferred income tax asset in tax jurisdictions where deductibility is permitted.

(ii) Adjustments in this category pertain to the cessation of goodwill amortisation, the recognition and amortisation of intangible assets on business combinations and other adjustments to acquisition balance sheets stemming from the application of IFRS (principally the discounting of provisions, the recording of finished goods and work-in-progress inventory at fair value and any related income tax adjustments).

(iii) Recognition of various deductible and taxable temporary differences (mainly revaluation uplifts) under IFRS together with rollover relief, a reclassification of deferred income tax assets previously netted against deferred income tax liabilities under Irish GAAP and additional goodwill arising from the application of IAS 12 to business combinations undertaken in 2004.

(iv) Recognition of retirement benefit obligations in respect of defined benefit pension and post-retirement healthcare schemes and long-term service commitments together with the related deferred income tax assets and liabilities; adjustments also reflect the cancellation of the accrual in respect of contributions payable on defined benefit pension schemes.

(v) Proportionate consolidation of joint ventures; these adjustments related principally to the re-computation of deferred income tax on a temporary differences basis, the separate recognition of deferred income tax assets and liabilities and the inclusion of deferred income tax assets and liabilities in respect of defined benefit pension schemes.

(vi) Impact of discounting provisions and deferred/contingent acquisition consideration to net present cost together with associated reclassifications to trade and other receivables and payables; the adjustment to retained income relates predominantly to long-dated environmental and self-insurance provisions and deferred/contingent consideration on business combinations.

(vii) Recognition of derivative financial instruments at fair value and fair valuation adjustments to interest-bearing loans and borrowings together with the deferred income tax implications of these adjustments.

(viii) Exclusion of closing 2004 dividend liability not permitted under IFRS and reclassification of non-recourse preference capital funding pertaining to the Group's investment in its associate in Israel from minority interest to non-current interest-bearing loans and borrowings.

(ix) Reclassification of deposits and other short-term investments not satisfying the definition of cash equivalents under IFRS into liquid investments.

(x) Net debt as reported by CRH under Irish GAAP comprised current and non-current interest-bearing loans and borrowings, net of cash and cash equivalents. Under IFRS, current and non-current derivative financial instruments and liquid investments are separately reported in the Balance Sheet and are also included in the net debt number of €2,758.1 million shown above.

34. Reconciliations from Irish GAAP to IFRS *continued*

Group Cash Flow Statement

for the year ended 31st December 2004

All figures in € millions	Previous Irish GAAP	Adjustments under IFRS												Restated under IFRS
		Share-based payments	Business combinations	Intangible assets	Income tax	Pensions	Joint ventures	Associates	Discounting	Derivatives	Dividends/ Min.interest	Liquid investments	Other/ reclass-ifications	
Cash flows from operating activities														
Group operating profit	**1,157.9**	(9.7)	7.6	(4.1)		(0.1)	62.4		9.4	(3.2)				**1,220.2**
Depreciation charge	**494.4**						21.5							**515.9**
Expensing of employee share options	**-**	9.7												**9.7**
Amortisation of intangible assets	**-**			4.1										**4.1**
Net movement on provisions	**(10.4)**								(1.6)					**(12.0)**
Increase in working capital	**(94.3)**		9.8				8.9		(5.3)				2.3	**(78.6)**
Amortisation of capital grants	**(1.8)**						(0.4)							**(2.2)**
Other non-cash movements	**-**		(10.9)			(2.6)				3.2				**(10.3)**
Cash generated from operations	**1,545.8**	-	6.5	-		(2.7)	92.4		2.5	-			2.3	**1,646.8**
Interest paid (including finance leases)	**(142.3)**						(12.1)						(2.1)	**(156.5)**
Income taxes paid:														
Irish corporation tax	**(16.0)**						(1.1)							**(17.1)**
Overseas corporation tax	**(172.4)**						(15.7)							**(188.1)**
Net cash inflow from operating activities	**1,215.1**	-	6.5	-		(2.7)	63.5		2.5	-			0.2	**1,285.1**
Cash flows from investing activities														
Inflows														
Proceeds from disposals of fixed assets	**100.1**						2.2							**102.3**
Interest received	**22.2**						0.4							**22.6**
Capital grants received	**0.1**						0.1							**0.2**
Dividends received from joint ventures	**22.1**						(22.1)							**-**
Dividends received from associates	**8.0**													**8.0**
Total inflows	**152.5**						(19.4)							**133.1**
Outflows														
Purchase of property, plant and equipment	**(520.2)**						(30.5)							**(550.7)**
Repayment of capital grants	**-**						(0.5)							**(0.5)**
Acquisition of subsidiaries and joint ventures	**(498.5)**						30.2						(243.1)	**(711.4)**
Investments in and advances to joint ventures	**(352.4)**							3.8					348.6	**-**
Investments in and advances to associates	**(4.7)**							(0.2)					(1.1)	**(6.0)**
Advances to joint ventures and purchase of trade investments	**(1.1)**						(0.3)	(3.6)						**(5.0)**
Deferred and contingent acquisition consideration paid	**(57.3)**													**(57.3)**
Total outflows	**(1,434.2)**						(1.1)	-					104.4	**(1,330.9)**
Net cash outflow from investing activities	**(1,281.7)**	-	-	-		-	(20.5)	-	-	-			104.4	**(1,197.8)**

continued overleaf

34. Reconciliations from Irish GAAP to IFRS *continued*

Group Cash Flow Statement *continued*

All figures in € millions	Previous Irish GAAP	Adjustments under IFRS: Share-based payments	Business combinations	Intangible assets	Income tax	Pensions	Joint ventures	Associates	Discounting	Derivatives	Dividends/ Min. interest	Liquid investments	Other/ reclass-ifications	Restated under IFRS
Cash flows from financing activities														
Inflows														
Proceeds from issue of shares	**36.6**													**36.6**
Liquid investments arising on acquisition	**10.4**												(10.4)	**-**
Increase in interest-bearing loans and borrowings	**689.6**						17.1			(3.9)			(118.6)	**584.2**
Increase in finance lease liabilities	**56.0**						0.2							**56.2**
Net cash movement in derivative financial instruments	**(62.2)**													**(62.2)**
Total inflows	**730.4**						17.3			(3.9)			(129.0)	**614.8**
Outflows														
Expenses paid in respect of share issues	**(0.3)**													**(0.3)**
Increase in liquid investments	**-**											(25.2)		**(25.2)**
Repayment of interest-bearing loans and borrowings	**(462.0)**						(32.8)						17.0	**(477.8)**
Repayment of finance lease liabilities	**(24.4)**													**(24.4)**
Dividends paid to equity holders of the Company	**(127.2)**												7.6	**(119.6)**
Dividends paid to minority interests	**-**												(2.6)	**(2.6)**
Total outflows	**(613.9)**						(32.8)					(25.2)	22.0	**(649.9)**
Net cash inflow/(outflow) from financing activities	**116.5**						(15.5)			(3.9)		(25.2)	(107.0)	**(35.1)**
Increase in cash and cash equivalents	**49.9**		6.5			(2.7)	27.5		2.5	(3.9)		(25.2)	(2.4)	**52.2**
Reconciliation of opening to closing cash and cash equivalents														
Cash and cash equivalents at 1st January	**1,298.0**						35.0					(292.1)		**1,040.9**
Translation adjustment	**(25.5)**						(0.2)					5.6		**(20.1)**
Increase in cash and cash equivalents	**49.9**		6.5			(2.7)	27.5		2.5	(3.9)		(25.2)	(2.4)	**52.2**
Joint venture becoming an associate	**-**						(1.0)							**(1.0)**
Cash and cash equivalents at 31st December	**1,322.4**	-	6.5	-	-	(2.7)	61.3	-	2.5	(3.9)	-	(311.7)	(2.4)	**1,072.0**

34. Reconciliations from Irish GAAP to IFRS *continued*

Group Transition Balance Sheet

as at 1st January 2004

All figures in € millions	Previous Irish GAAP	Adjustments under IFRS								Restated under IFRS
		Share-based payments (i)	Income tax (ii)	Pensions (iii)	Joint ventures (iv)	Discounting (v)	Derivatives (vi)	Dividends/ Min. interest (vii)	Reclass- ifications (viii)	
ASSETS										
Non-current assets										
Property, plant and equipment	**5,145.4**				220.8					**5,366.2**
Intangible assets - goodwill	**1,474.5**				150.6					**1,625.1**
Intangible assets - other	-									-
Investments in joint ventures:										
- share of gross assets	**560.1**				(560.1)					-
- share of gross liabilities	**(330.4)**				330.4					-
- loans to joint ventures	**62.3**				(62.3)					-
Investments in associates	**44.6**				24.8					**69.4**
Derivative financial instruments	-						214.2			**214.2**
Other financial assets	**12.1**				67.4					**79.5**
Deferred income tax assets	-	9.5	231.0	77.9	4.1		0.9			**323.4**
Total non-current assets	**6,968.6**	9.5	231.0	77.9	175.7		215.1			**7,677.8**
Current assets										
Inventories	**1,117.6**				38.2					**1,155.8**
Trade and other receivables	**1,681.2**				53.4	13.1				**1,747.7**
Derivative financial instruments	-						9.7			**9.7**
Liquid investments	-								292.1	**292.1**
Cash and cash equivalents	**1,298.0**				35.0				(292.1)	**1,040.9**
Total current assets	**4,096.8**				126.6	13.1	9.7		-	**4,246.2**
Total assets	**11,065.4**	9.5	231.0	77.9	302.3	13.1	224.8		-	**11,924.0**
EQUITY										
Capital and reserves attributable to the Company's equity holders										
Equity share capital	**179.3**									**179.3**
Preference share capital	**1.2**									**1.2**
Share premium account	**2,078.3**									**2,078.3**
Other reserves	**9.9**	3.9								**13.8**
Retained income	**2,490.2**	5.6	(365.9)	(131.7)	(0.8)	49.4	(3.6)	105.0		**2,148.2**
	4,758.9	9.5	(365.9)	(131.7)	(0.8)	49.4	(3.6)	105.0		**4,420.8**
Minority interest	**90.6**		(0.6)		1.9			(65.7)		**26.2**
Total equity	**4,849.5**	9.5	(366.5)	(131.7)	1.1	49.4	(3.6)	39.3		**4,447.0**
LIABILITIES										
Non-current liabilities										
Interest-bearing loans and borrowings	3,095.8				167.5		58.4	65.7		**3,387.4**
Derivative financial instruments	-						159.6			**159.6**
Deferred income tax liabilities	**485.6**		376.8	4.8	13.2		1.2			**881.6**
Trade and other payables	**96.5**				5.6	(14.4)				**87.7**
Retirement benefit obligations	-			240.7	2.5					**243.2**
Provisions for liabilities and charges	**332.4**			(10.3)		(164.4)				**157.7**
Capital grants	**12.7**									**12.7**
Total non-current liabilities	**4,023.0**		376.8	235.2	188.8	(178.8)	219.2	65.7		**4,929.9**
Current liabilities										
Trade and other payables	**1,499.7**			(25.6)	63.6	19.8				**1,557.5**
Current income tax liabilities	**77.9**		220.7		3.7					**302.3**
Interest-bearing loans and borrowings	**510.3**				45.1		(32.2)			**523.2**
Derivative financial instruments	-						41.4			**41.4**
Provisions for liabilities and charges	-					122.7				**122.7**
Dividends proposed	**105.0**							(105.0)		-
Total current liabilities	**2,192.9**		220.7	(25.6)	112.4	142.5	9.2	(105.0)		**2,547.1**
Total liabilities	**6,215.9**		597.5	209.6	301.2	(36.3)	228.4	(39.3)		**7,477.0**
Total equity and liabilities	**11,065.4**	9.5	231.0	77.9	302.3	13.1	224.8	-		**11,924.0**
Net debt (ix)	**2,308.1**	-	-	-	177.6	-	3.3	65.7	-	**2,554.7**

see notes overleaf

34. Reconciliations from Irish GAAP to IFRS *continued*

Notes in relation to adjustments made to the Group Transition Balance Sheet as at 1st January 2004 on transition to IFRS

(i) Recording of share-based payments expense in respect of share options issued to employees subsequent to 7th November 2002 in combination with the related deferred income tax asset in tax jurisdictions where deductibility is permitted.

(ii) Recognition of various deductible and taxable temporary differences (mainly revaluation uplifts) under IFRS together with rollover relief and a reclassification of deferred income tax assets previously netted against deferred income tax liabilities under Irish GAAP.

(iii) Recognition of retirement benefit obligations in respect of defined benefit pension and post-retirement healthcare schemes and long-term service commitments together with the related deferred income tax assets and liabilities; adjustments also reflect the cancellation of the accrual in respect of contributions payable on defined benefit pension schemes.

(iv) Proportionate consolidation of joint ventures including required adjustments on transition to IFRS; these adjustments related principally to the re-computation of deferred income tax on a temporary differences basis, the separate recognition of deferred income tax assets and liabilities and the inclusion of deferred income tax assets and liabilities in respect of defined benefit pension schemes.

(v) Impact of discounting provisions and deferred/contingent acquisition consideration to net present cost together with associated reclassifications to trade and other receivables and payables; the adjustment to retained income relates predominantly to long-dated environmental and self-insurance provisions and deferred/contingent consideration on business combinations.

(vi) Recognition of derivative financial instruments at fair value and fair valuation adjustments to interest-bearing loans and borrowings together with deferred income tax implications of these adjustments.

(vii) Exclusion of opening 2004 dividend liability not permitted under IFRS and reclassification of non-recourse preference capital funding pertaining to the Group's investment in its associate in Israel from minority interest to non-current interest-bearing loans and borrowings.

(viii) Reclassification of deposits and other short-term investments not satisfying the definition of a cash equivalent under IFRS into liquid investments.

(ix) Net debt as reported by CRH under Irish GAAP comprised current and non-current interest bearing loans and liabilities, net of cash and cash equivalents. Under IFRS, current and non-current derivative financial instruments and liquid investments are separately reported in the Balance Sheet and are also included in the net debt number of €2,554.7 million shown above.

35. Related Party Transactions

The principal related party relationships requiring disclosure in the consolidated financial statements of the Group under IAS 24 *Related Party Disclosures* pertain to the existence of subsidiaries, joint ventures and associates and transactions with these entities entered into by the Group and the identification and compensation of key management personnel as addressed in greater detail below.

Subsidiaries, joint ventures and associates

The consolidated financial statements include the financial statements of the Company (CRH plc, the ultimate parent) and its subsidiaries, joint ventures and associates as documented in the accounting policies on pages 61 to 67. A listing of the principal subsidiaries, joint ventures and associates is provided on pages 125 to 129 of this Annual Report.

Sales to and purchases from, together with outstanding payables and receivables to and from, subsidiaries and joint ventures are eliminated in the preparation of the consolidated financial statements in accordance with IAS 27 *Consolidated and Separate Financial Statements*. Loans extended by the Group to joint ventures and associates are included in financial assets (whilst the Group's share of the corresponding loans payable by joint ventures are included in interest-bearing loans and borrowings due to the application of proportionate consolidation in accounting for the Group's interests in these entities). Amounts receivable from and payable to associates as at the balance sheet date are included as separate line items in the notes to the consolidated financial statements.

Terms and conditions of transactions with subsidiaries, joint ventures and associates

In general, the transfer pricing policy implemented by the Group across its subsidiaries is market-based. Sales to and purchases from other related parties (being joint ventures and associates) are on terms equivalent to those that prevail in arm's-length transactions. The outstanding balances included in receivables and payables as at the balance sheet date in respect of transactions with associates are unsecured and settlement arises in cash. No guarantees have been either requested or provided in relation to related party receivables and payables. Loans to joint ventures and associates (the respective amounts being disclosed in note 15) are extended on normal commercial terms with interest accruing and, in general, paid to the Group at predetermined intervals.

Key management personnel

For the purposes of the disclosure requirements of IAS 24, the term "key management personnel" (i.e. those persons having authority and responsibility for planning, directing and controlling the activities of the Company) comprises the Board of Directors which manages the business and affairs of the Company. As identified in the Report on Directors' Remuneration on pages 50 to 55, the Directors, other than the non-executive Directors, serve as executive officers of the Company. Full disclosure in relation to the compensation entitlements of the Board of Directors is provided in the Report on Directors' Remuneration on pages 50 to 55 of this Annual Report.

36. Board Approval

The Board of Directors approved and authorised for issue the Group IFRS financial statements on pages 58 to 115 together with the Company Financial Statements on pages 116 to 117 in respect of the financial year ended 31st December 2005 on 6th March 2006.

Company Balance Sheet

as at 31st December 2005

Notes		2005 €m	2004 €m
	Fixed assets		
1	Financial assets	**3,577.1**	3,393.1
		3,577.1	3,393.1
	Current assets		
2	Debtors	**1,265.0**	100.6
	Cash and liquid investments	**55.0**	52.2
		1,320.0	152.8
	Creditors (amounts falling due within one year)		
3	Trade and other creditors	**4.0**	6.9
4	Dividends proposed	**-**	124.7
		4.0	131.6
	Net current assets	**1,316.0**	21.2
	Total assets less current liabilities	**4,893.1**	3,414.3
	Creditors (amounts falling due after more than one year)		
3	Amounts owed to subsidiary undertakings	**1,422.0**	964.2
		3,471.1	2,450.1
	Capital and reserves		
	Called-up share capital		
5	Equity share capital	**182.3**	181.0
5	Non-equity share capital	**1.2**	1.2
	Equity reserves		
6	Share premium account	**2,212.4**	2,153.4
6	Other reserve	**720.0**	-
6	Revaluation reserve	**41.5**	41.5
6	Profit and loss account	**313.7**	73.0
	Shareholders' funds	**3,471.1**	2,450.1

P.J. Molloy, W.I. O'Mahony, Directors

Notes to the Company Balance Sheet

The Company Balance Sheet together with the accompanying notes have been prepared in accordance with Generally Accepted Accounting Practice in the Republic of Ireland (Irish GAAP).

1. Financial Assets

The Company's investment in its subsidiaries was as follows:

31st December 2005	**Shares €m**	**Loans €m**	**Total €m**
At 1st January at cost/valuation	**861.0**	**2,532.1**	**3,393.1**
Investments	**177.3**	**6.7**	**184.0**
At 31st December at cost/valuation	**1,038.3**	**2,538.8**	**3,577.1**
31st December 2004			
At 1st January at cost/valuation	2,010.0	1,539.3	3,549.3
(Repayments)/investments	(1,149.0)	992.8	(156.2)
At 31st December at cost/valuation	861.0	2,532.1	3,393.1

The Company's investment in its subsidiaries was revalued at 31st December 1980 to reflect the surplus on revaluation of certain property, plant and equipment (land and buildings) of subsidiaries. The original historical cost of the shares equated to approximately €9.1 million. The analysis of the closing balance between amounts carried at valuation and at cost is as follows:

	2005 €m	2004 €m
At valuation 31st December 1980	**46.7**	46.7
At cost post 31st December 1980	**991.6**	814.3
Total	**1,038.3**	861.0

2. Debtors	**2005 €m**	2004 €m
Amounts owed by subsidiaries	**1,265.0**	100.6

3. Creditors	**2005 €m**	2004 €m
Amounts falling due within one year		
Other creditors	**4.0**	6.9
Amounts falling due after more than one year		
Amounts owed to subsidiary undertakings	**1,422.0**	964.2

4. Dividends Proposed

For financial years beginning after 1st January 2005, dividends declared after the balance sheet date are not reported as a liability. Details in respect of dividends proposed are presented in the dividends note (note 11) on page 80 of the notes to the Group IFRS financial statements.

5. Called-up Share Capital

Details in respect of called-up share capital are presented in the share capital note (note 29) on page 101 of the notes to the IFRS financial statements.

6. Equity Reserves	**2005**				2004		
	Share premium account €m	**Other reserve €m**	**Revaluation reserve €m**	**Profit and loss account €m**	Share premium account €m	Revaluation reserve €m	Profit and loss account €m
At 1st January	**2,153.4**	**-**	**41.5**	**73.0**	2,082.4	41.5	409.6
Currency translation effects	**-**	**-**	**-**	**-**	-	-	(375.4)
Premium on shares issued	**59.2**	**-**	**-**	**-**	71.3	-	-
Expenses paid in respect of share issues	**(0.2)**	**-**	**-**	**-**	(0.3)	-	-
Profit before tax and dividends	**-**	**-**	**-**	**1.1**	-	-	1.4
Dividend received from subsidiary	**-**	**720.0**	**-**	**300.0**	-	-	213.2
Dividends (including shares issued in lieu of dividend)	**-**	**-**	**-**	**(60.4)**	-	-	(175.8)
At 31st December	**2,212.4**	**720.0**	**41.5**	**313.7**	2,153.4	41.5	73.0

In accordance with section 148(8) of the Companies Act, 1963 and section 7(1A) of the Companies (Amendment) Act, 1986, the Company is availing of the exemption from presenting its individual profit and loss account to the Annual General Meeting and from filing it with the Registrar of Companies.

Group Financial Summary

(Figures prepared in accordance with Irish GAAP)

		1995 €m	1996 €m	1997 €m	1998 €m	1999 €m	2000 €m	2001 €m	2002 €m	2003 €m	2004 €m
Turnover including share of joint ventures		2,520.0	3,354.1	4,234.3	5,210.9	6,733.8	8,869.8	10,443.5	10,794.1	11,079.8	12,819.7
Less share of joint ventures		92.9	152.0	154.7	176.6	134.4	168.0	236.7	276.9	305.5	539.6
		2,427.1	3,202.1	4,079.6	5,034.3	6,599.4	8,701.8	10,206.8	10,517.2	10,774.3	12,280.1
Group operating profit		223.2	282.7	348.5	441.9	676.0	918.5	1,020.1	1,048.1	1,044.7	1,247.0
Goodwill amortisation		–	–	–	(1.3)	(19.7)	(43.7)	(60.6)	(69.6)	(75.5)	(101.4)
Profit on disposal of fixed assets		1.4	0.8	9.2	11.2	7.1	12.8	16.7	15.7	13.0	11.3
Exceptional items		–	–	–	–	64.2	–	–	–	–	–
Profit on ordinary activies before interest		224.6	283.5	357.7	451.8	727.6	887.6	976.2	994.2	982.2	1,156.9
Net interest payable:											
- Group		(19.1)	(24.3)	(32.1)	(37.5)	(91.8)	(190.0)	(169.7)	(131.4)	(112.8)	(126.0)
- share of joint ventures and associates		(1.6)	(3.3)	(4.1)	(5.4)	(0.9)	(0.9)	(3.6)	(7.1)	(5.2)	(13.9)
Profit on ordinary activities before tax		203.9	255.9	321.5	408.9	634.9	696.7	802.9	855.7	864.2	1,017.0
Tax on profit on ordinary activities		(41.8)	(58.3)	(75.7)	(99.9)	(152.0)	(193.7)	(217.0)	(226.8)	(217.6)	(247.1)
Tax on exceptional items		–	–	–	–	(25.7)	–	–	–	–	–
Profit on ordinary activities after tax		162.1	197.6	245.8	309.0	457.2	503.0	585.9	628.9	646.6	769.9
Employment of capital											
Fixed assets											
- Tangible assets		895.2	1,235.5	1,518.8	2,287.6	3,225.8	4,550.9	5,150.5	5,004.4	5,145.4	5,319.9
- Intangible asset - goodwill		–	–	–	138.2	629.2	954.6	1,153.5	1,154.1	1,474.5	1,443.5
- Financial assets		118.2	127.3	131.5	52.6	66.6	104.0	315.8	274.8	348.7	702.4
Net current assets	(a)	132.9	255.3	313.4	512.5	607.9	915.1	1,039.8	1,078.4	1,116.2	1,243.7
Other liabilities	(b)	(13.0)	(25.0)	(60.8)	(286.3)	(430.3)	(469.8)	(479.3)	(443.4)	(428.9)	(429.1)
Total		1,133.3	1,593.1	1,902.9	2,704.6	4,099.2	6,054.8	7,180.3	7,068.3	7,655.9	8,280.4
Financed as follows											
Equity shareholders' funds		868.2	1,055.8	1,308.4	1,552.8	2,200.5	3,073.9	4,734.2	4,746.7	4,757.7	5,216.6
Preference share capital		1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Minority interest		11.7	12.5	13.7	285.3	37.0	35.7	135.1	110.9	90.6	82.6
Capital grants		12.1	11.1	10.4	19.9	18.8	17.3	15.7	14.6	12.7	11.0
Deferred tax		48.9	70.3	104.0	115.9	172.4	306.9	400.4	485.0	485.6	528.3
Net debt	(c)	189.3	442.2	465.2	729.5	1,669.3	2,619.8	1,893.7	1,709.9	2,308.1	2,440.7
Convertible capital bonds	(d)	1.9	–	–	–	–	–	–	–	–	–
		1,133.3	1,593.1	1,902.9	2,704.6	4,099.2	6,054.8	7,180.3	7,068.3	7,655.9	8,280.4
Purchase of tangible assets		109.2	150.0	147.3	232.1	360.1	429.5	452.3	367.4	402.0	520.2
Acquisitions and investments		164.3	532.2	240.5	603.8	1,420.7	1,605.1	1,080.1	991.8	1,615.3	921.8
Total capital expenditure		273.5	682.2	387.8	835.9	1,780.8	2,034.6	1,532.4	1,359.2	2,017.3	1,442.0
Depreciation and goodwill amortisation		81.1	103.6	129.1	165.9	275.1	395.4	496.7	525.9	533.70	595.8
Earnings per share after goodwill amortisation (cent)	(f)	41.1	48.7	58.1	72.1	97.0	113.8	115.3	119.2	121.9	143.9
Earnings per share before goodwill amortisation (cent)	(f)	41.1	48.7	58.1	72.4	101.6	123.8	127.3	132.5	136.2	163.1
Dividend per share (cent)		10.52	11.80	13.54	15.61	18.22	20.77	23.00	25.40	28.10	33.00
Cash earnings per share (cent)	(e)	62.0	74.4	88.9	111.2	161.2	204.1	213.7	219.8	223.4	256.4
Dividend cover (times)	(f)	3.87	4.02	4.27	4.59	5.29	5.34	4.85	4.68	4.32	4.34

(Figures prepared in accordance with IFRS)

		Restated 2004 €m	**2005 €m**
Revenue		12,754.5	**14,449.3**
Group operating profit		1,220.2	**1,392.3**
Profit on disposal of fixed assets		10.8	**19.8**
Profit before finance costs		1,231.0	**1,412.1**
Finance costs		(264.3)	**(297.4)**
Finance revenue		117.9	**138.3**
Group share of associates' profit after tax		19.4	**25.9**
Profit before tax		1,104.0	**1,278.9**
Income tax expense		(232.2)	**(272.6)**
Group profit for the financial year		871.8	**1,006.3**
Employment of capital			
Non-current and current assets			
Property, plant and equipment		5,830.6	**6,823.5**
Intangible assets		1,774.1	**2,252.5**
Investments in associates/other financial assets		292.0	**634.5**
Current assets less current liabilities	(g)	1,539.9	**1,944.6**
Other liabilities – current and non-current	(h)	(1,034.6)	**(1,243.0)**
Total		8,402.0	**10,412.1**
Capital and reserves excluding preference share capital		4,944.0	**6,194.2**
Preference share capital		1.2	**1.2**
Minority interest		34.2	**38.3**
Capital grants		12.4	**12.1**
Net deferred income tax liability		652.1	**718.0**
Net debt	(i)	2,758.1	**3,448.3**
Total		8,402.0	**10,412.1**
Purchase of property, plant and equipment		550.7	**652.1**
Acquisitions and investments		1,019.4	**1,297.8**
Total capital expenditure		1,570.1	**1,949.9**
Depreciation of property, plant and equipment		515.9	**555.8**
Amortisation of intangible assets		4.1	**9.1**
Earnings per share after amortisation of intangible assets (cent)		163.6	**186.7**
Earnings per share before amortisation of intangible assets (cent)		164.3	**188.5**
Dividend per share (cent)		33.00	**39.00**
Cash earnings per share (cent)	(j)	261.8	**292.5**
Dividend cover (times)	(k)	4.96	**4.79**

Notes to Irish GAAP financial summary data

(a) Excluding bank advances and cash and liquid investments which are included under net debt (see note (c) below).

(b) Including deferred and contingent acquisition consideration due after more than one year and provisions for liabilities and charges and excluding deferred tax.

(c) Net debt represents the sum of loans (including finance leases) and overdrafts falling due within one year, bank loans (including finance leases) falling due after more than one year less cash and liquid investments.

(d) Including supplemental interest.

(e) Cash earnings per share equals the sum of profit for the year attributable to ordinary shareholders, depreciation and goodwill amortisation divided by the average number of Ordinary Shares outstanding for the year.

(f) Excluding exceptional net gains in 1999.

Notes to IFRS financial summary data

(g) Represents the sum of inventories and trade and other receivables (included in current assets) less trade and other payables (included in current liabilities).

(h) Represents the sum of trade and other payables, retirement benefit obligations and provisions for liabilities and charges (included within non-current liabilities) and current income tax liabilities and provisions for liabilities and charges (included within current liabilities).

(i) Represents the sum of current and non-current interest-bearing loans and borrowings and derivative financial instruments liabilities less the sum of liquid investments, cash and cash equivalents and current and non-current derivative financial instruments assets.

(j) Cash earnings per share represents profit attributable to equity holders of the Company less preference dividends paid plus depreciation of property, plant and equipment and amortisation of intangible assets divided by the average number of Ordinary Shares outstanding for the year.

(k) Represents earnings per Ordinary Share 186.7c (2004 : 163.6c) divided by dividends per Ordinary Share 39.0c (2004 : 33.0c).

CRH shares have been traded in the United States since 1989 on the National Association of Securities Dealers Automated Quotation System (NASDAQ) in the form of American Depositary Shares (ADSs) and held in the form of American Depositary Receipts (ADRs). The ticker symbol is CRHCY. The administration of the ADRs is handled by Citibank, N.A. of New York. Each ADS represents one Ordinary Share of the Company. CRH is currently in the process of transferring its United States listing to the New York Stock Exchange (NYSE).

CRH will be filing an Annual Report on Form 20-F in respect of the year ended 31st December 2005 with the Securities and Exchange Commission (SEC). This Report will be available to shareholders when filed and copies will be supplied on application to the Secretary.

The consolidated financial statements of CRH plc have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, which comprise standards and interpretations approved by the 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 the IASB and remain in effect.

IFRS as adopted by the European Union differ in certain respects from IFRS as issued by the IASB. However, the consolidated financial statements for the financial years presented would be no different had IFRS as issued by the IASB been applied. References to IFRS hereafter should be construed as references to IFRS as adopted by the European Union.

IFRS differs in certain significant respects from Generally Accepted Accounting Practice in the United States (US GAAP). The adjustments necessary to state net income and shareholders' equity under US GAAP are shown in the table on page 124 and are summarised in the subsequent sections.

(i) Provisions (including environmental rehabilitation obligations)

In June 2001, the United States Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) 143 *Accounting for Asset Retirement Obligations*. SFAS 143 is effective for accounting periods beginning after 15th June 2002 and requires companies to record liabilities equal to the fair value of their asset retirement obligations (ARO) when they are incurred. Over time, the ARO liability is accreted for the change in its present value each period. While IFRS similarly requires such liabilities to be recognised as provisions, the detailed computations required by SFAS 143 result in differences between IFRS and US GAAP; the adjustments under US GAAP are described below.

The Group's liability for restoration of quarry assets arises over a number of reporting periods and is directly related to the degree of extraction performed. Under both IFRS and US GAAP, the Group has adopted an incremental provisioning methodology in order to recognise asset retirement obligations in line with extraction. Incremental liabilities incurred in subsequent reporting periods are considered to be an additional layer of the original liability and are calculated using assumptions applicable in those subsequent periods.

Provisions are subject to discounting under IFRS where the time value of money is deemed to be material. US GAAP applies a more stringent criterion for discounting of provisions, whereby discounting is only permitted when the timing and the amounts of the associated future cash flows are either fixed or reliably determinable. The discounting of provisions reported under IFRS is therefore reversed in the accompanying reconciliation.

The adjustment of €0.1 million (2004 : €2.1 million) charged against income comprises a long-lived asset depreciation expense of €3.7 million (2004 : €4.5 million) (including full write-off of the asset related to incremental asset retirement obligations in 2005) together with an accretion expense of €1.4 million (2004 : €1.2 million) on the total ARO liability; the adjustment is stated net of the €0.7 million (2004 : €1.7 million) already charged to net income under IFRS relating to quarry assets in environmental remediation provisions and net of a credit of €4.3 million (2004 : €1.9 million) relating to discounting of provisions under IFRS reversed in the reconciliation.

(ii) Accounting for interest-bearing loans and borrowings, derivative financial instruments and hedging activities

The accounting policies under IFRS for interest-bearing loans and borrowings, derivative financial instruments and hedging activities are outlined on pages 66 and 67 of this Annual Report. Derivative financial instruments are initially recognised at cost and are thereafter stated at fair value. Where derivatives do not fulfil the criteria for hedge accounting, they are classified as held-for-trading and changes in fair values are reported in the Income Statement. The fair value of interest rate and currency swaps is the estimated amount the Group would pay or receive to terminate the swap at the balance sheet date taking into account current interest and currency rates and the creditworthiness of the swap counterparties. The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles and equates to the quoted market price at the balance sheet date (being the present value of the quoted forward price). All loans and borrowings are initially recorded at cost being the fair value of the consideration received net of attributable transaction costs. Subsequent to initial recognition, current and non-current interest-bearing loans and borrowings are measured at amortised cost employing the effective interest yield methodology.

Under US GAAP, if a derivative is a hedge, depending on the nature of the hedge, changes in the fair value of the derivative are either offset against the change in fair value of the hedged item through income, or recognised in the statement of other comprehensive income until the hedged item is recognised in income. The ineffective portion of a derivative's change in fair value is immediately recognised in income.

Although fair valuation of derivative financial instruments is required under both IFRS and US GAAP, differences in the requirements governing qualification for hedge accounting result in certain derivative financial instruments qualifying for hedge accounting under IFRS but not under US GAAP. The Income Statement credit of €6.0 million (2004 : debit of €7.0 million) arising from the fair valuation of derivative financial instruments under IFRS is replaced by a credit of €9.9 million (2004 : debit of €16.1 million) under US GAAP, giving rise

to an additional net credit of €3.9 million to net income under US GAAP (2004 : net debit of €9.1 million).

(iii) Stock-based employee compensation expense

Under the terms of the Group's employee share option schemes, as described in notes 7 and 29 to the consolidated financial statements, options can only be exercised after the expiration of at least three years or five years from the dates of grant and after specific EPS growth targets have been achieved. The number of shares that may be acquired by employees is therefore not fully determinable until after the date of the grant, and accordingly the share option schemes are variable plans within the meaning of the United States Accounting Principles Board Opinion No. 25 *Accounting for Stock Issued to Employees* (APB 25).

US GAAP, as set forth in SFAS 123 *Accounting for Stock-Based Compensation*, encourages, but does not require, companies to adopt a fair value approach to valuing share options that would require compensation cost to be recognised based on the fair value of share options granted. For the purposes of this reconciliation, the Group has elected, as permitted by SFAS 123, to follow the intrinsic value method of accounting for share options as set out in APB 25. Compensation expense is booked to income each period from the date of grant, or the date on which achievement of the EPS growth targets is deemed probable, if later, to the "date of measurement", based on the difference between the price an employee must pay to acquire the shares underlying the option and the quoted market price of the shares at the end of each period. The "date of measurement" is the first date on which the relevant EPS growth targets have been achieved.

Application of APB 25 under US GAAP results in the recognition of an incremental expense of €51.6 million (2004 : €15.5 million) representing the difference between the expense of €13.9 million (2004 : €9.7 million) recorded under IFRS and the charge of €65.5 million (2004 : €25.2 million) under US GAAP.

(iv) Goodwill and intangible assets

Under previous (i.e. Irish) GAAP, with effect from 1st January 1998, goodwill, which represented the difference between the consideration paid and the fair value of the net identifiable assets at the date of acquisition of subsidiaries, joint ventures and associates, was capitalised, and related amortisation based on a presumed maximum useful life of 20 years was charged against operating income in the Income Statement on a straight-line basis from the date of initial recognition. Goodwill was stated at cost less accumulated amortisation and any impairment in value.

In addition, under previous GAAP, goodwill arising prior to 1st January 1998 was written-off immediately against reserves. In accordance with IFRS 1 *First-time Adoption of International Financial Reporting Standards*, this goodwill has not been recognised as goodwill in the IFRS Transition Balance Sheet (i.e. remains eliminated against reserves) and will be disregarded in computing the gain or loss on disposal of any subsidiary to which this goodwill relates. This is not permitted under US GAAP, and accordingly, an adjustment is required under US GAAP to capitalise all goodwill eliminated against shareholders' equity.

Under US GAAP in effect until 1st January 2002 (see paragraph below referring to SFAS 141 *Business Combinations* and SFAS 142 *Goodwill and Other Intangible Assets* issued by the FASB in June 2001), this capitalised goodwill was also required to be amortised to income over its estimated useful life; for the purposes of this reconciliation, a useful life of 40 years had been adopted.

Under IFRS, 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 3 *Business Combinations*, goodwill amortisation ceased with effect from the transition date.

Under IFRS, intangible assets acquired as part of a business combination are capitalised separately from goodwill if the intangible asset meets the definition of an asset and the fair value can be reliably measured on initial recognition. Subsequent to initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The carrying values of definite-lived intangible assets are reviewed for indicators of impairment at each reporting date and are subject to impairment testing when events or changes in circumstances indicate that the carrying values may not be recoverable. Furthermore, IFRS requires the immediate recognition in the Income Statement of any excess of fair value of identifiable net assets over consideration paid (commonly termed "negative goodwill") arising on acquisitions during the year.

In June 2001, the FASB issued SFAS 141 *Business Combinations* and SFAS 142 *Goodwill and Other Intangible Assets* ("the Statements"), both of which were effective for fiscal years beginning after 15th December 2001. Under these rules, goodwill is no longer amortised, but is subject to annual impairment tests in accordance with the Statements. Any negative goodwill arising during the year is amortised to the Income Statement over the average life of the assets to which the negative goodwill is allocated. In addition, impairment tests are also required at other dates if indicators of impairment are present. The Group applied SFAS 141 and SFAS 142 in accounting for goodwill and other intangible assets beginning 1st January 2002 and performed the first of the required annual impairment tests of goodwill as of that date. Both the 2004 and 2005 US GAAP and IFRS impairment tests indicated that no impairment of goodwill had occurred in either financial year.

The IFRS intangible asset amortisation expense of €9.1 million for the year ended 31st December 2005 (2004 : €4.1 million) and the "negative goodwill" credit of €4.3 million (2004 : €10.9 million) is eliminated under US GAAP and replaced by a net expense of €33.1 million (2004 : €37.5 million), comprising acquisition (pre-2004) related payments of €5.8 million (2004 : €12.2 million) included in goodwill under IFRS and expensed under US GAAP, a charge of €29.3 million (2004 : €29.3 million) in respect of intangible asset amortisation under US GAAP, and other credits of €2.0 million (2004 : €4.0 million).

The difference between the intangible asset amortisation figure under IFRS and US GAAP of €20.2 million (2004 : €25.2 million) (excluding the aforementioned acquisition-related payments and the other credits) is attributable to the fact that IFRS 3 *Business Combinations* was applied prospectively with effect from the transition date to IFRS (1st January 2004)

and therefore does not mirror the application date for SFAS 141 and SFAS 142 under US GAAP, which have been applied with effect from 1st January 2002.

(v) Property revaluations

Under Irish GAAP, it was permitted to restate property assets on the basis of appraised values in financial statements prepared in all other respects in accordance with the historical cost convention. On transition to IFRS, the revalued amounts were regarded as deemed cost. Such restatements are not permitted under US GAAP, and accordingly, adjustments to net income and shareholders' equity are required to eliminate the effect of such restatements.

(vi) Impairment of long-lived assets (other than goodwill)

In accordance with IAS 36 *Impairment of Assets*, the carrying values of items of property, plant and equipment are reviewed for impairment at each reporting date and are subject to impairment testing when events or changes in circumstances indicate that the carrying values may not be recoverable. Where the carrying values exceed the estimated recoverable amount (being the greater of fair value less costs to sell and value-in-use), the assets or cash-generating units are written-down to their recoverable amount. Under US GAAP, an asset held for use is deemed to be impaired if the sum of the expected future cash flows (undiscounted and before interest charges) is less than the carrying value. If the latter criterion is satisfied, the quantum of impairment is determined by comparing the carrying value of the asset against its fair value. Such impairment reviews are only performed if indicators of impairment exist. No asset impairments were incurred under either IFRS or US GAAP in the years ended 31st December 2005 and 31st December 2004.

(vii) Retirement benefit obligations

Under IFRS, the liabilities and costs associated with the Group's defined benefit pension schemes and post-retirement healthcare obligations (both funded and unfunded) are assessed on the basis of the projected unit credit method by professionally qualified actuaries and are arrived at using actuarial assumptions based on market expectations at the balance sheet date. The discount rates employed in determining the present value of the schemes' liabilities are determined by reference to market yields at the balance sheet date on high-quality corporate bonds of a currency and term consistent with the currency and term of the associated post-retirement benefit obligations. When the benefits of a defined benefit scheme are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the Income Statement on a straight-line basis over the average period until the benefits become vested. To the extent that the enhanced benefits vest immediately, the related expense is recognised immediately in the Income Statement. The net surplus or deficit arising on the Group's defined benefit pension schemes, together with the liabilities associated with the unfunded schemes, are shown either within non-current assets or liabilities on the face of the Group Balance Sheet. The deferred tax impact of pension scheme surpluses and deficits is disclosed separately within deferred tax assets or liabilities, as appropriate. The Group has elected to avail of the Amendment to IAS 19 *Actuarial Gains and Losses, Group Plans and Disclosures* to recognise post transition date actuarial gains and losses immediately in the Statement of Recognised Income and Expense. This treatment contrasts with US GAAP where the corridor methodology is employed impacting both the Group Income Statement and Balance Sheet. In summary, the corridor methodology under US GAAP, which is a permitted alternative under IAS 19 *Employee Benefits*, requires that any gain or loss which exceeds 10% of the greater of the actuarial value of the liabilities and the fair value of the schemes' assets be amortised to net income on a periodic basis over the average remaining working lives of the active participants in the schemes.

Under IFRS, the defined benefit pension asset or liability in the Group Balance Sheet comprises the total for each scheme of the present value of the defined benefit obligation (using a discount rate based on high-quality corporate bonds) less any past service cost not yet recognised and less the fair value of plan assets (measured at bid value) out of which the obligations are to be settled directly.

Akin to IFRS, US GAAP specifically requires the use of the projected unit credit method for costing purposes, and the assumptions used must be based on current market rates as at the balance sheet date. The assets of defined benefit pension schemes are valued at mid-market under US GAAP with bid value being the requirement under IFRS. In applying pension accounting under US GAAP, the Group has elected to apply the corridor methodology and not to smooth the value of the pension scheme assets.

Furthermore, under US GAAP, an additional minimum pension liability relating to the excess of any unfunded accumulated benefit obligation over unrecognised prior service cost must be included within other accumulated comprehensive income.

Application of SFAS 132 *Employers' Disclosures about Pensions and Other Postretirement Benefits – an amendment of FASB Statements No. 87, 88 and 106* under US GAAP results in the recognition of an incremental cost of €18.8 million (2004 : €22.4 million) representing the difference between the expense recorded under IFRS and that recorded under US GAAP.

(viii) Debt issue expenses

Prior to 2002, costs relating to the issue of debt securities were written-off in the Irish GAAP Income Statement in the period in which costs were incurred. With effect from 1st January 2002, the Group amortises such expenses to income over the life of the debt, which is consistent with US GAAP.

(ix) Deferred tax and mineral reserves

Under IFRS, the Group has fully provided in its financial statements for deferred tax on all temporary differences as required by SFAS 109 *Accounting for Income Taxes*, other than in respect of share-based payments where differences exist between IFRS and US GAAP in the methodologies employed for the computation of deferred tax. The adjustments to net income under US GAAP referred to above give rise to movements in deferred tax which are shown separately in the reconciliation on page 124.

Prior to IFRS transition, deferred tax liabilities were not recorded in respect of the uplift in mineral reserves acquired in business combinations. Such deferred tax liabilities were not required to be recorded under Irish GAAP but were recorded on transition to IFRS, with a corresponding adjustment to retained income. Accordingly, a reconciling item exists in shareholders' equity in respect of the unamortised balance of mineral reserves associated with the recognition of the deferred tax liabilities under US GAAP. The mineral reserves depletion charge in respect of these balances amounted to €7.0 million (2004 : €3.9 million).

(x) Interest capitalised

The interest relating to qualifying assets for 2005 and 2004 was not material. Therefore, no adjustment was made to the carrying amounts of such qualifying assets to include an amount for capitalised interest expense as required by SFAS 34 *Capitalization of Interest Cost*.

(xi) Consolidation method – joint ventures

In line with the benchmark accounting methodology in IAS 31 *Interests in Joint Ventures*, the Group's share of results and net assets of joint ventures, which are entities in which the Group holds an interest on a long-term basis and which are jointly controlled by the Group and one or more other venturers under a contractual arrangement, are accounted for on the basis of proportionate consolidation from the date on which the contractual agreements stipulating joint control are finalised and are derecognised when joint control ceases. All of the Group's joint ventures are jointly controlled entities within the meaning of IAS 31. The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements.

Under US GAAP, joint ventures must be accounted for under the equity method. This would not result in any difference in the net income of the Group, but the proportionate consolidation of the assets and liabilities of the joint ventures on a line-by-line basis with similar items in the IFRS Group Balance Sheet would be eliminated and shown as an investment in joint ventures in the US GAAP Group Balance Sheet. The resultant reclassifications would not give rise to any difference in shareholders' equity.

(xii) Currency translation adjustment

Under both IFRS and US GAAP, items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in euro, which is the presentation currency of the Group and the functional currency of the Company.

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All currency translation differences are taken to the Income Statement with the exception of differences on foreign currency borrowings, to the extent that they are used to finance or to provide a hedge against foreign equity investments, which are taken directly to equity together with the exchange difference on the carrying amount of the related investments. Translation differences applicable to foreign currency borrowings are taken directly to equity until disposal of the net investment, at which time they are recycled through the Income Statement.

Translation differences arising after the transition date to IFRS (1st January 2004) are presented as a separate component of equity.

Adjustments arising on translation of the results of non-euro subsidiaries, joint ventures and associates at average rates, and on restatement of the opening net assets at closing rates, are dealt with in the Statement of Accumulated Other Comprehensive Income under US GAAP. The currency translation adjustment included in comprehensive income on page 124 also includes the translation impact of the adjustments to net income under US GAAP for each year.

(xiii) Variable Interest Entities (VIEs)

Where control is realised through means other than voting rights, FIN 46(R), which was issued in December 2003, requires that entities fulfilling the definition of VIEs are consolidated in the financial statements of the primary beneficiary of the variable interests. No circumstances exist in any of the joint ventures (which are proportionately consolidated subject to joint control) or associates (which are equity-accounted on the basis of significant influence) in which the Group participates which would give rise to these entities being classified as VIEs in accordance with FIN 46(R).

(xiv) Minority interests - preferred stock

In the IFRS Balance Sheet, non-recourse preference capital funding pertaining to the Group's investment in its associate in Israel is classified under non-current interest-bearing loans and borrowings. The related interest costs are recorded within finance costs in the Income Statement.

Under US GAAP, this funding is included within minority interest classified outside of shareholders' equity in the Group Balance Sheet and the related contractually required payments are included within minority interest as an additional charge against income in the Income Statement. As the contractually required payments are deducted to arrive at the Group's net income attributable to ordinary shareholders and classified outside of equity for both IFRS and US GAAP in the Group Balance Sheet, there are no reconciling entries to net income or shareholders' equity for this item.

Reconciliation to US GAAP

Effect on net income	2005 €m	2004 €m
Net income (Group profit for the financial year) as reported in the Group Income Statement	**1,006.3**	871.8
Minority interest	**(8.4)**	(5.7)
Preference dividends	**(0.1)**	(0.1)
Net income for the year attributable to ordinary equity holders of the Company	**997.8**	866.0
US GAAP adjustments		
Provisions (i)	**(0.1)**	(2.1)
Profit/(loss) on derivative instruments (ii)	**3.9**	(9.1)
Stock-based employee compensation (iii)	**(51.6)**	(15.5)
Amortisation of intangible assets (iv)	**(28.3)**	(44.3)
Elimination of revaluation surplus (v)	**0.8**	0.4
Retirement benefit obligations (vii)	**(18.8)**	(22.4)
Amortisation of debt issue expenses (viii)	**(0.3)**	(0.3)
Deferred tax (ix):		
- mineral reserves depletion	**(7.0)**	(3.9)
- temporary differences	**13.3**	11.2
Net income attributable to ordinary shareholders under US GAAP	**909.7**	780.0
Net income per share		
Basic net income per Ordinary Share/ADS under US GAAP	**170.3c**	147.3c

Cumulative effect on shareholders' equity	2005 €m	2004 €m
Total equity as reported in the Group Balance Sheet	**6,233.7**	4,979.4
Minority interest	**(38.3)**	(34.2)
Shareholders' equity as reported in the Group Balance Sheet	**6,195.4**	4,945.2
US GAAP adjustments		
Provisions (i)	**(59.4)**	(59.6)
Hedging instruments - fair value adjustments (ii)	**(1.5)**	(1.9)
Goodwill (iv)	**392.1**	383.2
Elimination of revaluation surplus (v)	**(26.8)**	(27.6)
Retirement benefit obligations (vii)	**466.0**	397.8
Debt issue expenses prepaid (viii)	**1.0**	1.2
Deferred tax (ix)		
- unamortised cumulative uplift in mineral reserves	**284.2**	252.5
- temporary differences	**(149.1)**	(106.5)
Shareholders' equity under US GAAP	**7,101.9**	5,784.3

Statement of Comprehensive Income

Comprehensive income under US GAAP is as follows:	2005 €m	2004 €m
Net income attributable to ordinary shareholders under US GAAP	**909.7**	780.0
Other comprehensive income:		
- currency translation adjustment (xii)	**469.2**	(210.2)
- derivative instruments - fair value adjustments (ii)	**(4.6)**	11.3
- movement in minimum liability on pensions (vii)	**0.7**	(16.4)
	465.3	(215.3)
Comprehensive income	**1,375.0**	564.7
Accumulated other comprehensive income as at 31st December		
Accumulated foreign currency translation (xii)	**(449.9)**	(919.1)
Cumulative fair value adjustment on derivatives (ii)	**37.0**	41.6
Minimum liability on pensions (vii)	**(34.4)**	(35.1)
	(447.3)	(912.6)

Principal Subsidiary Undertakings

Europe Materials

Incorporated and operating in	% held	Products and services
Britain & Northern Ireland		
Northstone (NI) Limited (including Farrans, Ready Use Concrete, R.J. Maxwell & Son, Scott)	100	Aggregates, readymixed concrete, mortar, coated macadam, rooftiles, building and civil engineering contracting
Premier Cement Limited	100	Marketing and distribution of cement
T.B.F. Thompson (Properties) Limited	100	Property development
Finland		
Finnsementti Oy	100	Cement
Lohja Rudus Oy Ab	100	Aggregates and readymixed concrete
Ireland		
Irish Cement Limited	100	Cement
Premier Periclase Limited	100	High quality seawater magnesia
Roadstone-Wood Group		
Clogrennane Lime Limited	100	Burnt and hydrated lime
John A. Wood Limited	100	Aggregates, readymixed concrete, concrete blocks and pipes, asphalt, agricultural and chemical limestone and contract surfacing
Ormonde Brick Limited	100	Clay brick
Roadstone Dublin Limited	100	Aggregates, readymixed concrete, mortar, coated macadam, asphalt, contract surfacing and concrete blocks
Roadstone Provinces Limited	100	Aggregates, readymixed concrete, mortar, coated macadam, asphalt, contract surfacing, concrete blocks and rooftiles
Poland		
Bosta Beton Sp. z o.o.*	90.30	Readymixed concrete
Cementownia Rejowiec S.A.	100	Cement
Drogomex Sp. z o.o.*	99.94	Asphalt and contract surfacing
Faelbud S.A.*	100	Readymixed concrete, concrete products and concrete paving
Grupa Ożarów S.A.	100	Cement
Grupa Prefabet S.A.*	100	Concrete products
Kujawy Wapno Sp. z o.o.*	99.72	Production of lime and lime products
Masfalt Sp. z o.o.*	100	Asphalt and contract surfacing
O.K.S.M.	99.91	Aggregates
Polbet B-Complex S.A.*	100	Readymixed concrete and concrete paving
Prefabet Dlugi Kat S.A.*	99.82	Concrete products
ZPW Trzuskawica S.A.	99.72	Production of lime and lime products
Spain		
Beton Catalan Group		
Beton Catalan s.a.	100	Readymixed concrete
Cabi s.a.	99.99	Cementitious materials
Cantera de Aridos Puig Broca s.a.	99.81	Aggregates
Explotacion de Aridos Calizos s.a.	100	Aggregates
Formigo i Bigues s.a.	99.81	Aggregates
Formigons Girona s.a.	100	Readymixed concrete and precast concrete products
Suberolita s.a.	100	Readymixed concrete and precast concrete products
Tamuz s.a.	100	Aggregates
Switzerland		
JURA-Holding	100	Cement, aggregates and readymixed concrete
Ukraine		
Podilsky Cement	98.88	Cement

Europe Products & Distribution

Incorporated and operating in	% held	Products and services
Austria		
Quester Baustoffhandel GmbH	100	Builders merchants
Belgium		
Concrete Products		
Douterloigne nv	100	Concrete floor elements, pavers and blocks
Ergon nv	100	Precast concrete structural elements
Klaps nv	100	Concrete paving, sewerage and water treatment
Marlux nv	100	Decorative concrete paving
Omnidal nv	100	Precast concrete structural elements
Remacle sa	100	Precast concrete products
Schelfhout nv	100	Precast concrete wall elements
Building Products		
Plakabeton nv	100	Construction accessories
Portal sa	100	Glass roof structures
Distribution		
Van Neerbos Bouwmarkten nv	100	DIY stores
Clay Products		
Steenhandel J. De Saegher nv	100	Clay brick factors
Britain & Northern Ireland		
Concrete Products		
Forticrete Limited	100	Concrete masonry products and rooftiles
Clay Products		
Ibstock Brick Limited	100	Clay brick manufacturer
Kevington Building Products Limited	100	Specialist brick fabricator
Manchester Brick & Precast	100	Brick-clad precast components
Building Products		
Airvent Systems Services Limited	100	Smoke ventilation systems and services
Broughton Controls Limited	100	Access control systems

Principal Subsidiary Undertakings *continued*

Incorporated and operating in	*% held*	*Products and services*
Europe Products & Distribution *continued*		
Cox Building Products Limited	100	Domelights, ventilation systems and continuous rooflights
CRH Fencing Limited	100	Security fencing
EcoTherm Insulations Limited	100	PUR/PIR insulation
Geoquip Limited	100	Perimeter intrusion detection systems
Springvale EPS Limited	100	EPS insulation and packaging
Denmark		
Betonelement A/S	100	Precast concrete structural elements
ThermiSol A/S	100	EPS insulation
Estonia		
ThermiSol OÜ	100	EPS insulation
Finland		
ThermiSol Oy	100	EPS insulation
France		
Building Products		
Heda sa	100	Security fencing
Heras Clôture sarl	100	Temporary fencing
Laubeuf sas	100	Glass roof structures
Plakabeton sa	100	Construction accessories
Concrete Products		
BMI sa	99.82	Precast concrete products
Stradal sas	100	Landscape, utility and infrastructural concrete products
Distribution		
Buscaglia sas*	100	Builders merchants
Matériaux Service sas	100	Builders merchants
Raboni sas*	100	Builders merchants
Germany		
Concrete Products		
EHL AG	100	Concrete paving and landscape walling products
Clay Products		
AKA Ziegelgruppe GmbH	100	Clay brick, pavers and rooftiles
Building Products		
Adronit GmbH	100	Security fencing and access control
Brakel Aero GmbH	100	Rooflights, glass roof structures and ventilation systems
EcoTherm GmbH	100	PUR/PIR insulation
Gefinex GmbH	100	XPE insulation
Greschalux GmbH	100	Domelights and ventilation systems
Heras SKS GmbH	100	Security fencing
JET Tageslicht und RWA GmbH	100	Domelights, ventilation systems and continuous rooflights

Incorporated and operating in	*% held*	*Products and services*
Magnetic Autocontrol GmbH	100	Vehicle and pedestrian access control systems
Syncotec GmbH	100	Construction accessories
Unidek GmbH	100	EPS insulation
Ireland		
Aerobord Limited	100	EPS insulation and packaging
Netherlands		
Concrete Products		
Alvon Bouwsystemen bv	100	Precast concrete structural elements
Calduran bv	100	Sand-lime bricks and building elements
De Ringvaart bv	100	Concrete piles and foundations
Dycore bv	100	Concrete flooring elements
Heembeton bv	100	Precast concrete structural elements
Kellen bv	100	Concrete paving products
Struyk Verwo bv	100	Concrete paving products
Clay Products		
Kleiwarenfabriek Buggenum bv	100	Clay brick manufacturer
Kleiwarenfabriek De Bylandt bv	100	Clay bricks and pavers
Kleiwarenfabriek De Waalwaard bv	100	Clay brick manufacturer
Kleiwarenfabriek Façade Beek bv	100	Clay brick manufacturer
Kleiwarenfabriek Joosten Kessel bv	100	Clay brick manufacturer
Kleiwarenfabriek Joosten Wessem bv	100	Clay brick manufacturer
Kooy Bilthoven bv	100	Clay brick factors
Leebo bv	100	Designer, manufacturer and installer of façade and roofing systems
Building Products		
Arfman Hekwerk bv	100	Producer and installer of fauna and railway fencing solutions
BIK Bouwprodukten bv	100	Domelights and continuous rooflights
Brakel Atmos bv	100	Glass roof structures, continuous rooflights and ventilation systems
EcoTherm bv	100	PUR/PIR insulation
Heras Nederland bv	100	Security fencing and perimeter protection
Mavotrans bv	100	Construction accessories
Unidek Group bv	100	EPS insulation
Vaculux bv	100	Domelights
Distribution		
BBN Bouwmaterialen bv	100	Builders merchants
Cementbouw Detailhandel bv	100	DIY stores
CRH Bouwmaterialenhandel bv	100	Builders merchants
CRH Roofing Materials bv	100	Roofing materials merchant
De Boo Bouwmaterialen bv	100	Builders merchants
Eclips Bouwmarkten bv	100	DIY stores
Garfield Aluminium bv	100	Aluminium stockholding

Incorporated and operating in	% held	Products and services
Europe Products & Distribution *continued*		
NVB Vermeulen Bouwstoffen bv	100	Builders merchants
Stoel van Klaveren Bouwstoffen bv	100	Builders merchants
Syntec bv	100	Ironmongery merchants
Ubbens Bouwmaterialen bv	100	Builders merchants
Van Neerbos Bouwmarkten bv	100	DIY stores
Van Neerbos Bouwmaten bv	100	Cash & Carry building materials
Van Neerbos Bouwmaterialen bv	100	Builders merchants
Poland		
Clay Products		
CERG Sp. z o.o.	67.55	Clay brick manufacturer
Cerpol Kozlowice Sp. z o.o.	99.60	Clay brick manufacturer
CRH Klinkier Sp. z o.o.	100	Clay brick manufacturer
Gozdnickie Zaklady Ceramiki Budowlanej Sp. z o.o.*	100	Clay brick manufacturer
Patoka Industries Limited Sp. z o.o.*	99.19	Clay brick manufacturer
Termo Organika Sp. z o.o.	100	EPS insulation
Slovakia		
Premac Spol. s r.o.	100	Concrete paving and floor elements
Spain		
Plakabeton sa	100	Accessories for construction and precast concrete
Sweden		
ThermiSol AB	100	EPS insulation
Switzerland		
Baubedarf	100	Builders merchants
Richner	100	Sanitaryware and ceramic tiles
Aschwanden AG	100	Construction accessories

Americas Materials

Incorporated and operating in	% held	Products and services
United States		
Callanan Industries, Inc.	100	Aggregates, asphalt, readymixed concrete and related construction activities
CPM Development Corporation	100	Aggregates, asphalt, readymixed concrete, prestressed concrete and related construction activities
Des Moines Asphalt & Paving, Co.	100	Asphalt and related construction activities
Dolomite Products Company, Inc.	100	Aggregates, asphalt and readymixed concrete
Evans Construction Company	100	Aggregates, asphalt, readymixed concrete and related construction activities
Hallett Construction Company	100	Aggregates
Hills Materials Company	100	Aggregates, asphalt, readymixed concrete and related construction activities
Michigan Materials and Aggregates Company	100	Aggregates, asphalt and related construction activities
Michigan Paving and Materials Company	100	Aggregates, asphalt and related construction activities
Nuckolls Concrete Services, Inc.	100	Readymixed concrete and related construction activities
Oldcastle Materials, Inc.	100	Holding company
Oldcastle Materials Southeast, Inc.	100	Aggregates
Oldcastle SW Group, Inc.	100	Aggregates, asphalt, readymixed concrete and related construction activities
Pennsy Supply, Inc.	100	Aggregates, asphalt, readymixed concrete and related construction activities
Pike Industries, Inc.	100	Aggregates, asphalt and related construction activities
P.J. Keating Company	100	Aggregates, asphalt and related construction activities
Rohlin Construction Company	100	Asphalt and related construction activities
Staker & Parson Companies	100	Aggregates, asphalt, readymixed concrete and related construction activities
The Shelly Company	100	Aggregates, asphalt and related construction activities
Stoneco, Inc.	100	Aggregates
Tilcon Connecticut, Inc.	100	Aggregates, asphalt, readymixed concrete and related construction activities
Tilcon New York, Inc.	100	Aggregates, asphalt, and related construction activities
Oldcastle Mountain Enterprises, Inc.	100	Aggregates, asphalt and related construction activities
Southern Minnesota Construction Company, Inc.	100	Aggregates, asphalt and related construction activities

Americas Products & Distribution

Incorporated and operating in	*% held*	*Products and services*
Argentina		
Canteras Cerro Negro S.A.	99.98	Clay rooftiles, wall tiles and floor tiles
CRH Sudamericana S.A.	100	Holding company
Superglass S.A.	100	Fabricated and tempered glass products
Canada		
Fulton Industries, Inc	100	Architectural-rated operable window and curtain wall manufacturer
Oldcastle Building Products Canada, Inc. (trading as April Industries, Décor Precast, Groupe Permacon, Oldcastle Glass and Synertech Moulded Products)	100	Masonry, paving and retaining walls, utility boxes and trenches and custom-fabricated and tempered glass products
Chile		
Vidrios Dell Orto, S.A.	99.90	Fabricated and tempered glass products
United States		
CRH America, Inc.	100	Holding company
Oldcastle, Inc.	100	Holding company
Oldcastle Building Products, Inc.	100	Holding company
Architectural Products Group		
Anchor Concrete Products, Inc.	100	Specialty masonry and hardscape products
Big River Industries, Inc.	100	Lightweight aggregate and fly-ash
Custom Surfaces, Inc.	100	Custom fabrication and installation of countertops
Dixie Cut Stone & Marble, Inc.	100	Distributor and fabricator of specialty stone products
Glen-Gery Corporation	100	Clay brick
Jolly Gardener Products, Inc.	100	Mulch, plants and other nursery products
Northfield Block Company	100	Specialty masonry, hardscape and patio products
Oldcastle Architectural, Inc.	100	Holding company
Oldcastle APG Midwest, Inc. (trading as 4D, Akron Brick & Block, Bend Industries, Miller Material Co., Oldcastle Cleveland/Sheffield, Schuster's Building Products)	100	Specialty masonry, hardscape and patio products
Oldcastle APG Northeast, Inc. (trading as Arthur Whitcomb, Balcon, Betco Block, Betco Supreme, Domine Builders Supply, Foster-Southeastern, Oldcastle Easton, Trenwyth Industries)	100	Specialty masonry, hardscape and patio products
Oldcastle APG South, Inc. (trading as Adams Products, Big Rock Building Products, Bosse Concrete Products, Georgia Masonry, Goria Enterprises, The Keystone Group)	100	Specialty masonry, hardscape and patio products
Oldcastle APG Texas, Inc. (trading as Custom-Crete, Custom Stone Supply, Eagle-Cordell Concrete Products, Jewell Concrete Products)	100	Specialty masonry and stone products, hardscape and patio products
Oldcastle APG West, Inc. (trading as Amcor Masonry Products, Central Pre-Mix Concrete Products, Oldcastle Stockton, Sierra Building Products, Superlite Block, Young Block)	100	Specialty masonry, hardscape and patio products
Oldcastle Concrete Designs, Inc.	100	Specialty concrete products
Oldcastle Greenleaf, Inc.	100	Patio products, bagged stone, mulch and soil
Oldcastle Matt Stone Holdings, Inc.	100	Patio products
Oldcastle Retail, Inc. (trading as Bonsal American, Oldcastle Stone Products)	100	Pre-mixed products and specialty stone products
Oldcastle Westile, Inc.	100	Concrete rooftile and pavers
Paver Systems, LLC	50	Hardscape products
Distribution Group		
Allied Building Products Corp.	100	Distribution of roofing, siding and related products; wallboard, metal studs, acoustical tile and grid
A.L.L. Roofing & Building Materials Corp.	100	Distribution of roofing and related products
Arzee Supply Corp. of New Jersey	100	Distribution of roofing, siding and related products
Atlantic Building Materials, Inc.	100	Distributor of wallboard, metal studs, acoustical tile and grid
Global Building Supply Company, Inc.	100	Distributor of wallboard, metal studs, acoustical tile and grid
G.W. Killebrew Co., Inc.	100	Distributor of wallboard, metal studs, acoustical tile and grid
Glass Group		
Oldcastle Glass, Inc.	100	Custom fabricated and tempered glass products
Southwest Aluminium Systems, Inc.	100	Architectural aluminium store fronts and doors
Precast Group		
Oldcastle Precast, Inc (trading as AFCO Precast, Amcor Precast, Brooks Products, Cayuga & Kerr Concrete Pipe, Chase Precast, Christy Concrete Products, Cloud Concrete, Contractors/Engineers Supply, Mega Cast, NC Products, Packaged Systems, Rotondo Precast, Strescon Industries, Superior Concrete, Utility Vault, Vanguard Precast, White Supply)	100	Precast concrete products, concrete pipe, prestressed plank and structural elements

Principal Joint Venture Undertakings

Incorporated and operating in	*% held*	*Products and services*

Europe Materials

Ireland

Kemek Limited*	50	Commercial explosives

Portugal

Secil-Companhia Geral de Cal e Cimento, S.A.*	48.99	Cement, aggregates, concrete products, mortar and readymixed concrete

Europe Products & Distribution

Belgium

Gefinex Jackon nv	49	XPS insulation

France

Doras sa*	57.85	Builders merchants

Germany

Bauking AG	47.82	Builders merchants, DIY stores
Gefinex Jackon GmbH*	49	XPS insulation

Ireland

Williaam Cox Ireland Limited	50	Glass constructions, continuous rooflights and ventilation systems

Netherlands

Bouwmaterialenhandel de Schelde bv	50	DIY stores
Cementbouw bv*	45	Cement transport and trading, readymixed concrete and aggregates

Portugal

Modelo Distribuição de Materiais de Construção sa*	50	Cash & Carry building materials

Americas Materials

United States

Bizzack, LLC*	50	Construction
Boxley Aggregates of West Virginia, LLC	50	Aggregates
Cadillac Asphalt, LLC*	50	Asphalt
Scioto Materials, LLC*	50	Asphalt

Americas Products & Distribution

United States

Architectural Products Group

Landmark Stone Products, LLC	50	Veneer stone

Principal Associated Undertakings

Incorporated and operating in	*% held*	*Products and services*

Europe Materials

Israel

Mashav Initiating and Development Limited	25	Cement

Spain

Corporación Uniland*	26.3	Cement, aggregates, readymixed concrete and mortar

Europe Products & Distribution

France

Groupe SAMSE*	23.39	Builders merchants, DIY stores

Americas Materials

United States

Buckeye Ready Mix, LLC*	45	Readymixed concrete

* Audited by firms other than Ernst & Young

Pursuant to Section 16 of the Companies (Amendment) Act, 1986, a full list of subsidiary, joint venture and associated undertakings will be annexed to the Company's Annual Return to be filed in the Companies Registration Office in Ireland.

Management

Senior Group Staff

Liam O'Mahony
Chief Executive Officer

Myles Lee
Finance Director

Angela Malone
Company Secretary

Albert Manifold
Group Development Director

Jack Golden
Human Resources Director

Paul Barry
Head of Internal Audit

Maeve Carton
Group Controller

Rossa McCann
Group Treasurer

Jim O'Brien
Group Technical Advisor

Éimear O'Flynn
Head of Investor Relations

Pat O'Shea
Group Taxation Director

Europe Materials

Declan Doyle
Managing Director

Tony O'Loghlen
Chief Operating Officer

Alan Connolly
Finance Director

Frank Heisterkamp
Business Development Director

Eamon Geraghty
Technical Director

Tony Macken
Business Development Manager

Finland/Switzerland

Henry Morris
Regional Director Switzerland & Finland

Rauno Vaulamo
Managing Director
Finnsementti

Lauri Ratia
Managing Director
Lohja Rudus

Urs Sandmeier
Managing Director
Jura Cement

Martin Glarner
Managing Director
Jura Aggregates & Readymix

Ireland

Jim Nolan
Managing Director
Cement Lime Division

Ken McKnight
Managing Director
Irish Cement

Leo Grogan
Managing Director
Premier Periclase

Donal Dempsey
Managing Director
Roadstone-Wood & Northstone Group

Jim Farrell
Managing Director
Roadstone Dublin

Frank Byrne
Managing Director
Roadstone Provinces

John Hogan
Managing Director
John A. Wood

Noel Quinn
Managing Director
Northstone

Central Eastern Europe

Declan Maguire
Regional Director
Central Eastern Europe

Andrzej Ptak
Vice President
Grupa Ożarów

Spain

Sebastia Alegre
Managing Director
CRH Spain

Josep Masana
Chief Financial Officer
CRH Spain

Josep Perxas
Divisional Director
CRH Spain

Europe Products & Distribution

John Wittstock
Group Managing Director

Liam Hughes
Acting Group Managing Director

Peter Erkamp
Finance Director

Michael Stirling
Human Resources Director

Concrete Products

Máirtín Clarke
Product Group Director

Kees Verburg
Finance/Development Director

Edwin van den Berg
Development Director

Marc St. Nicolaas
Managing Director
Architectural Products Benelux

Wim Bosma
Managing Director
Structural Concrete Netherlands

Rudy Aertgeerts
Managing Director
Structural Concrete Belgium

Jean-Paul Gelly
Managing Director
Stradal

Claus Bering
Managing Director
Betonelement

Hans-Josef Münch
Managing Director
EHL

Shaun Gray
Managing Director
Forticrete

Mark van Loon
Managing Director
Calduran

Clay Products

Wayne Sheppard
Product Group Director & Managing Director
Ibstock Brick

Geoff Bull
Finance Director
Ibstock Brick

Jan van Ommen
Managing Director
Clay Mainland-Europe

Aidan Grimes
Finance/Development Director
Clay Mainland-Europe

Claus Arntjen
Managing Director
AKA Ziegelwerke

Joanna Stelmasiak
Managing Director
CRH Klinkier

Building Products

Erik Bax
Product Group Director

Erwin Thys
Finance/Development Director

Kees-Jan van't Westeinde
Development Director

Thibaut Mortier
Development Director
France

Gerben Stilma
Managing Director
Insulation

John Nash
Development Director
Insulation

Geert-Jan van Schijndel
Managing Director
Fencing & Security

Ton van Gerwen
Managing Director
Daylight & Ventilation

Dirk Vael
Managing Director
Construction Accessories

Distribution

Stephan Nanninga
Product Group Director

Kees van der Drift
Finance/Development Director

Philippe Denécé
Development Director
France

Anton Huizing
Development Director
Spain

René Doors
Managing Director
Builders Merchants Netherlands

Harry Bosshardt
Managing Director
Builders Merchants Switzerland

Louis Bruzi
Managing Director
Builders Merchants Ile-de-France

Christian Klemm
Managing Director
Builders Merchants Austria

Emiel Hopmans
Managing Director
DIY Europe

Jos de Nijs
Managing Director
Roofing Materials Netherlands

The Americas

Michael O'Driscoll
Chief Financial Officer

Gary Hickman
Vice President Tax & Compliance

Americas Materials

Tom Hill
Chief Executive Officer

Mark Towe
President & Chief Operating Officer

Glenn Culpepper
Chief Financial Officer

Charles Brown
Vice President Finance

John Hay
Vice President Government Relations

Michael Brady
Vice President Development

Filip Wojcikowski
Vice President Development

New England

John Keating
President
New England Division

Christian Zimmerman
President
Pike

Jim Reger
President
P.J. Keating

Rick Mergens
President
Tilcon Connecticut

New York/New Jersey

Chris Madden
President
New York/New Jersey

Ciaran Brennan
President
Callanan Industries

John Cooney
President
Tilcon NY

John Odenbach
President
Dolomite Group

George Thompson
President
Tilcon NJ

Central

Don Eshleman
President
Central Division

Randy Lake
President
Mid-Atlantic

Dan Montgomery
President
Shelly

Dennis Rickard
President
Michigan Paving & Materials

Dan Cooperrider
President
Appalachian Mountain Group

West

Bill Sandbrook
President
West Division

Jeff Schaffer
President
Northwest Group

Shane Evans
President
Rocky Mountain Group

John Parson
President
Staker-Parson Group

Kurt Rasmussen
President
Iowa Group

Americas Products & Distribution

Joe McCullough
Chief Executive Officer

David Clark
Vice President Development

North America

Architectural Products

Doug Black
Chief Executive Officer

Kelly Elliott
Chief Financial Officer

Scott Salmon
VP Development

John Kemp
Vice President Marketing

Bertin Castonguay
Director Research & Development

Georges Archambault
President
APG Canada

Steve Matsick
President
Glen-Gery

Ted Kozikowski
President
APG West

Pete Kelly
President
APG Northeast

Tom Conroy
President
APG South

Paul Valentine
President
APG Midwest

Keith Haas
President
APG Retail

David Maske
President
Bonsal American

Precast

Jim Schack
Chief Executive Officer

Mark Schack
Chief Operating Officer

Bob Quinn
Chief Financial Officer

Dave Steevens
Vice President
Development

Bob Kramer
President
Northeast Division

Jan Olsen
President
Southeast Division

Ray Rhees
President
Central Division

Mike Scott
President
Western Division

George Hand
President
Eastern Pipe Division

Tony Mazzeo
President
Building Systems Division

David Shedd
President
Communication Division

Glass

Ted Hathaway
Chief Executive Officer

Dominic Maggiano
Chief Financial Officer

Daipayan Bhattacharya
Vice President
Development & Technology

Jim Avanzini
President Western Group

Roy Orr
President Eastern Group

Brian Moore
President Atlantic Region

Bob Berleth
President Central Region

Suresh Kumar
President Engineered Products

Dale Sensing
President Pacific Region

Distribution

Michael Lynch
Chief Executive Officer

Robert Feury Jr.
Chief Operating Officer

Greg Bloom
John McLaughlin
Ron Pilla
Donald Toth
Vice Presidents
Brian Reilly
Chief Financial Officer

Dave Jenkins
Development Director

South America

Juan Carlos Girotti
Managing Director
CRH Sudamericana
Canteras Cerro Negro

Alejandro Javier Bertrán
Business Development Manager

Benjamin Fernandez
Business Development Manager

Argentina

Carlos Val
Managing Director
Superglass

Chile

Bernardo Alamos
Managing Director
Vidrios Dell Orto

Shareholder Information

Dividend payments

An interim dividend of 11.25c, with scrip alternative, was paid in respect of Ordinary Shares on 4th November 2005.

A final dividend of 27.75c, if approved, will be paid in respect of Ordinary Shares on 8th May 2006. A scrip alternative will be offered to shareholders.

Dividend Withholding Tax (DWT) must be deducted from dividends paid by an Irish resident company, unless a shareholder is entitled to an exemption and has submitted a properly completed exemption form to the Company's Registrars, Capita Corporate Registrars Plc. DWT applies to dividends paid by way of cash or by way of shares under a scrip dividend scheme and is deducted at the standard rate of Income Tax (currently 20%). Non-resident shareholders and certain Irish companies, trusts, pension schemes, investment undertakings and charities may be entitled to claim exemption from DWT and have been sent the relevant form. Further copies of the form may be obtained from the Company's Registrars. Shareholders should note that DWT will be deducted from dividends in cases where a properly completed form has not been received by the record date for a dividend. Individuals who are resident in Ireland for tax purposes are not entitled to an exemption.

Shareholders who wish to have their dividend paid direct to a bank account, by electronic funds transfer, should contact the Company's Registrars to obtain a mandate form. Tax vouchers will be sent to the shareholder's registered address under this arrangement.

Dividends are paid in euro. In order to avoid costs to shareholders, dividends are paid in Sterling and US Dollars to shareholders whose address according to the Share Register is in the UK and the United States respectively, unless they require otherwise.

Dividends in respect of 5% Cumulative Preference Shares are paid half-yearly on 15th April and 15th October.

Dividends in respect of 7% 'A' Cumulative Preference Shares are paid half-yearly on 5th April and 5th October.

CREST

Transfer of the Company's shares takes place through the CREST settlement system. Shareholders have the choice of holding their shares in electronic form or in the form of share certificates.

Share price data

		2005	2004
		€	€
Share price at 31st December		24.85	19.70
Market capitalisation		13.3bn	10.5bn
Share price movement			
during the year:	- high	24.85	20.05
	- low	18.87	16.08

Shareholdings as at 31st December 2005

Ownership of Ordinary Shares

Geographic location*	Number of shares held '000	% of total
Ireland	110,943	21
Great Britain	93,775	17
United States	143,409	27
Europe/Other	120,239	22
Retail	67,958	13
	536,324	100

*This represents a best estimate of the number of shares controlled by fund managers resident in the geographic regions indicated. Private shareholders are classified as retail above.

Holdings	Number of shareholders	% of total	Number of shares held '000	% of total
1 - 1,000	13,976	57.59	5,266	0.98
1,001 - 10,000	8,612	35.49	25,897	4.83
10,001 - 100,000	1,357	5.59	36,828	6.87
100,001 - 1,000,000	252	1.04	71,647	13.36
Over 1,000,000	70	0.29	396,686	73.96
	24,267	100	536,324	100

Stock Exchange listings

CRH has primary listings on the Irish and London Stock Exchanges. The Group's ADRs have been quoted on NASDAQ in the United States since 1989; CRH is currently in the process of transferring its United States listing to the New York Stock Exchange (NYSE).

Financial calendar

Announcement of final results for 2005	7th March 2006
Ex-dividend date	15th March 2006
Record date for dividend	17th March 2006
Latest date for receipt of scrip forms	21st April 2006
Annual General Meeting	3rd May 2006
Dividend payment date and first day of dealing in scrip dividend shares	8th May 2006
Trading update statement	5th July 2006
Announcement of interim results for 2006	29th August 2006

Website

The Group's website, www.crh.com, provides the full text of the Annual and Interim Reports, the Annual Report on Form 20-F, which is filed annually with the United States Securities and Exchange Commission, trading statements and copies of presentations to analysts and investors. News releases are made available, in the News & Media section of the website, immediately after release to the Stock Exchanges.

Registrars

Enquiries concerning shareholdings should be addressed to:

Capita Corporate Registrars Plc,
P.O. Box 7117, Dublin 2.
Telephone: +353 (0) 1 810 2400
Fax: +353 (0) 1 810 2422

Shareholders with access to the internet may check their accounts either by accessing CRH's website and selecting "Registrars" under "Shareholder Services" in the Investor Relations section or by accessing the Registrars' website, www.capitacorporateregistrars.ie. This facility allows shareholders to check their shareholdings and to download standard forms required to initiate changes in details held by the Registrars.

Electronic proxy voting

Shareholders may lodge a proxy form for the 2006 Annual General Meeting electronically. Shareholders who wish to submit proxies via the internet may do so by accessing CRH's, or the Registrars', website as described above. Shareholders must register for this service on-line before the electronic proxy service can be used. Instructions on using the service are sent to shareholders with their proxy form.

CREST members wishing to appoint a proxy via the CREST system should refer to the CREST Manual and the notes to the Notice of the Annual General Meeting.

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Ring Road III forms part of the major road system linking the cities of Helsinki, Espoo and Vantaa which make up the Helsinki metropolitan area and is also a part of the Turku-St. Petersburg route E18. Between January 2003 and June 2005, Lohja Rudus Oy Ab delivered 40,000 m^3 of concrete for the construction of the interchanges and forty bridges in Vantaa between the airport and Ring Road III. This challenging project, the single biggest road job commissioned by the Southern Region of the Finnish Department of Transport in decades, required the simultaneous delivery of different quality concrete for pillar slabs, supporting walls and bridge decks across a distance of several kilometres. The deliveries went smoothly and the project was completed to the customer's satisfaction.