

## Notes on financial statements

### 1 Segmental information

#### Geographical analysis (i)

	2002		2001	
	€m	%	€m	%
<b>Turnover</b>				
Republic of Ireland	<b>713.9</b>	<b>6.6</b>	703.6	6.7
Britain & Northern Ireland	<b>698.4</b>	<b>6.5</b>	680.0	6.5
Mainland Europe	<b>3,020.6</b>	<b>28.0</b>	2,652.2	25.4
The Americas	<b>6,361.2</b>	<b>58.9</b>	6,407.7	61.4
Total including share of joint ventures	<b>10,794.1</b>	<b>100</b>	10,443.5	100
Less share of joint ventures	<b>(276.9)</b>		(236.7)	
Total excluding share of joint ventures	<b>10,517.2</b>		10,206.8	

	%	2002			Profit before interest €m
		Operating profit €m	Goodwill €m	Profit on disposal €m	
<b>Profit on ordinary activities before interest</b>					
Republic of Ireland	<b>12.5</b>	<b>131.3</b>	<b>(0.3)</b>	<b>7.8</b>	<b>138.8</b>
Britain & Northern Ireland	<b>5.3</b>	<b>55.8</b>	<b>(5.4)</b>	<b>2.8</b>	<b>53.2</b>
Mainland Europe	<b>22.3</b>	<b>233.5</b>	<b>(28.6)</b>	<b>3.3</b>	<b>208.2</b>
The Americas	<b>59.9</b>	<b>627.5</b>	<b>(35.3)</b>	<b>1.8</b>	<b>594.0</b>
Total including share of joint ventures	<b>100</b>	<b>1,048.1</b>	<b>(69.6)</b>	<b>15.7</b>	<b>994.2</b>
Less share of joint ventures		<b>(33.5)</b>	<b>2.0</b>	<b>(1.2)</b>	<b>(32.7)</b>
Total excluding share of joint ventures		<b>1,014.6</b>	<b>(67.6)</b>	<b>14.5</b>	<b>961.5</b>

	2001				
Republic of Ireland	13.1	133.9	(0.2)	16.5	150.2
Britain & Northern Ireland	6.0	61.8	(5.2)	4.9	61.5
Mainland Europe	18.9	192.4	(25.2)	(4.0)	163.2
The Americas	62.0	632.0	(30.0)	(0.7)	601.3
Total including share of joint ventures	<b>100</b>	1,020.1	(60.6)	16.7	976.2
Less share of joint ventures		(26.5)	1.4	(0.4)	(25.5)
Total excluding share of joint ventures		993.6	(59.2)	16.3	950.7

	2002		2001	
	€m	%	€m	%
<b>Net assets</b>				
Republic of Ireland	<b>303.3</b>	<b>4.2</b>	325.9	4.5
Britain & Northern Ireland	<b>542.8</b>	<b>7.6</b>	572.5	7.9
Mainland Europe	<b>2,168.0</b>	<b>30.4</b>	2,130.6	29.5
The Americas	<b>4,126.3</b>	<b>57.8</b>	4,201.7	58.1
Total including share of joint ventures	<b>7,140.4</b>	<b>100</b>	7,230.7	100
Trade and other investments	<b>22.1</b>		34.3	
Unallocated liabilities - dividends proposed	<b>(94.2)</b>		(84.7)	
	<b>7,068.3</b>		7,180.3	

#### Reconciliation of total net assets

Total assets less current liabilities	<b>8,812.1</b>	8,619.4
Less cash, short-term deposits and liquid resources	<b>(1,533.2)</b>	(1,463.3)
Add bank loans and overdrafts	<b>232.8</b>	503.5
Less deferred acquisition consideration due after more than one year	<b>(142.5)</b>	(173.8)
Less provisions for liabilities and charges (excluding deferred tax)	<b>(300.9)</b>	(305.5)
	<b>7,068.3</b>	7,180.3

## 1 Segmental information continued

*Analysis by class of business (ii)*

	2002		2001	
	€m	%	€m	%
<b>Turnover</b>				
Building materials	<b>8,705.1</b>	<b>80.6</b>	8,552.9	81.9
Merchanting & DIY	<b>2,089.0</b>	<b>19.4</b>	1,890.6	18.1
Total including share of joint ventures	<b>10,794.1</b>	<b>100</b>	10,443.5	100
Less share of joint ventures	<b>(276.9)</b>		(236.7)	
Total excluding share of joint ventures	<b>10,517.2</b>		10,206.8	

  

	%	2002		2001	
		Operating profit €m	Goodwill €m	Profit on disposal €m	Profit before interest €m
<b>Profit on ordinary activities before interest</b>					
Building materials	<b>91.5</b>	<b>958.6</b>	<b>(65.3)</b>	<b>16.2</b>	<b>909.5</b>
Merchanting & DIY	<b>8.5</b>	<b>89.5</b>	<b>(4.3)</b>	<b>(0.5)</b>	<b>84.7</b>
Total including share of joint ventures	<b>100</b>	<b>1,048.1</b>	<b>(69.6)</b>	<b>15.7</b>	<b>994.2</b>
Less share of joint ventures		<b>(33.5)</b>	<b>2.0</b>	<b>(1.2)</b>	<b>(32.7)</b>
Total excluding share of joint ventures		<b>1,014.6</b>	<b>(67.6)</b>	<b>14.5</b>	<b>961.5</b>

  

	2002		2001	
	Operating profit €m	Goodwill €m	Profit on disposal €m	Profit before interest €m
Building materials	93.4	952.9	(59.7)	15.7
Merchanting & DIY	6.6	67.2	(0.9)	1.0
Total including share of joint ventures	<b>100</b>	1,020.1	(60.6)	16.7
Less share of joint ventures		(26.5)	1.4	(0.4)
Total excluding share of joint ventures		993.6	(59.2)	16.3

  

	2002		2001	
	€m	%	€m	%
<b>Net assets</b>				
Building materials	<b>6,601.1</b>	<b>92.4</b>	6,740.0	93.2
Merchanting & DIY	<b>539.3</b>	<b>7.6</b>	490.7	6.8
	<b>7,140.4</b>	<b>100</b>	7,230.7	100
Trade and other investments	<b>22.1</b>		34.3	
Unallocated liabilities - dividends proposed	<b>(94.2)</b>		(84.7)	
	<b>7,068.3</b>		7,180.3	

- (i) *Geographical analysis* The geographical analysis of sales and profits is based on market/destination. There is no material difference between this analysis and the split of sales and profits by origin.
- (ii) *Analysis by class of business* Group activities fall into two segments, the building materials segment, which is engaged in the production of construction related products and services, and the merchanting & DIY segment, which is engaged in the marketing and sale of builders' supplies to the construction industry and of materials for the "do-it-yourself" market. Inter-segment sales are not material.

**1 Segmental information** continued

The impact of acquisitions completed during 2002 (see note 29 for detailed list) is summarised below:

	Turnover €m	Operating profit €m	Net assets at year-end €m
Republic of Ireland	–	–	7.0
Britain & Northern Ireland	4.4	1.3	6.3
Mainland Europe	271.3	25.1	255.7
The Americas	402.0	53.8	642.0
Total acquisitions including share of joint ventures	<u>677.7</u>	<u>80.2</u>	<u>911.0</u>

*Analysis by class of business* €487.5 million of the turnover and €68.2 million of the trading profit relating to 2002 acquisitions is classified under the building materials segment.

**2 Operating costs excluding goodwill amortisation**

	Continuing operations			Total 2001 €m
	2002 €m	Acquisitions 2002 €m	Total 2002 €m	
Distribution costs	1,114.9	41.4	1,156.3	1,157.0
Administrative expenses	987.9	68.1	1056.0	1,036.9
Other operating income:				
- capital grants released	(1.8)	(0.1)	(1.9)	(1.7)
- income from financial assets	(1.3)	–	(1.3)	(2.3)
	<u>2,099.7</u>	<u>109.4</u>	<u>2,209.1</u>	<u>2,189.9</u>

**3 Group operating profit**

	2002 €m	2001 €m
<i>Group operating profit (excluding share of joint ventures) is arrived at after charging</i>		
Depreciation	456.3	436.1
Auditors' remuneration:		
- audit fees	4.4	3.8
- non-audit services: taxation advice and compliance	0.8	0.8
acquisition-related financial due diligence	0.3	1.2
pensions audit	0.1	0.1
other advice	0.3	0.3
<i>and after crediting</i>		
Income from financial assets	1.3	2.3

**4 Directors' emoluments and interests**

Directors' emoluments and interests are given in the report on Directors' remuneration on pages 42 to 47.

## 5 Employment

	2002	2001
<i>The average number of Group employees by region was as follows</i>		
Republic of Ireland	<b>2,554</b>	2,628
Britain & Northern Ireland	<b>4,045</b>	4,007
Mainland Europe	<b>15,794</b>	14,652
The Americas	<b>27,496</b>	26,358
	<b>49,889</b>	47,645
<i>Employment costs charged against Group operating profit</i>	<b>€m</b>	€m
Wages and salaries	<b>1,800.3</b>	1,773.5
Social welfare costs	<b>194.4</b>	191.7
Pension costs	<b>107.9</b>	95.8
	<b>2,102.6</b>	2,061.0

## 6 Net interest payable

	2002	2001
	€m	€m
Interest payable on bank loans and overdrafts repayable wholly within five years:		
- by instalments	<b>3.8</b>	4.0
- not by instalments	<b>85.8</b>	130.8
Interest payable on other borrowings	<b>86.3</b>	98.7
	<b>175.9</b>	233.5
Interest receivable from joint ventures	<b>(0.5)</b>	(1.3)
Other interest receivable	<b>(44.0)</b>	(62.5)
	<b>(44.5)</b>	(63.8)
Group net interest payable	<b>131.4</b>	169.7
Share of joint ventures' net interest payable	<b>7.1</b>	3.6
	<b>138.5</b>	173.3

## 7 Taxation on profit on ordinary activities

	2002	2001
	€m	€m
<i>Current tax</i>		
Ireland		
Corporation tax at 16% (2001 : 20%)	<b>21.2</b>	28.9
Less manufacturing relief	<b>(7.7)</b>	(12.2)
	<b>13.5</b>	16.7
Overseas tax	<b>135.4</b>	124.7
Share of joint ventures' tax	<b>5.1</b>	4.6
Taxation on disposal of fixed assets	<b>2.1</b>	5.4
Total current tax	<b>156.1</b>	151.4
<i>Deferred tax</i>		
Origination and reversal of timing differences	<b>70.7</b>	65.6
Total taxation on profit on ordinary activities	<b>226.8</b>	217.0

**7 Taxation on profit on ordinary activities** continued

<b>Effective tax rate</b>	<b>2002</b>	2001
Profit on ordinary activities before taxation (€ millions)	<b>855.7</b>	802.9
As a percentage of profit before tax		
- current tax	<b>18.2%</b>	18.9%
- total tax (current and deferred)	<b>26.5%</b>	27.0%

The following table relates the applicable Republic of Ireland statutory tax rate to the effective current tax rate of the Group:

	<b>2002</b>	2001
	<b>(% of profit before taxation)</b>	
Irish corporation tax rate	<b>16.0</b>	20.0
Manufacturing relief	<b>(0.9)</b>	(1.5)
Higher tax rates on overseas earnings	<b>9.0</b>	6.1
Other, mainly expenses not deductible for tax purposes	<b>(5.9)</b>	(5.7)
	<b>18.2</b>	18.9

**Factors that may affect future tax charges**

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

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries and joint ventures; as earnings are continually reinvested by the Group, no tax is expected to be payable on them in the foreseeable future.

No provision has been made for deferred tax on gains recognised on revaluing property as the disposal of freehold property at its revalued amount would not, under current legislation, give rise to any significant tax liability.

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 affected by changes in the excess of tax depreciation over book depreciation and the use of tax credits.

**8 Dividends**

<b>Profit and loss account</b>	<b>2002</b>	2001
	<b>€m</b>	€m
<i>Non-equity</i>		
5% Cumulative Preference Shares €3,174 (2001 : €3,174)	–	–
7% 'A' Cumulative Preference Shares €77,505 (2001 : €77,505)	<b>0.1</b>	0.1
	<b>0.1</b>	0.1
<i>Equity</i>		
Interim – paid 7.43c per Ordinary Share (2001 : 6.75c)	<b>39.1</b>	35.3
Final – proposed 17.97c per Ordinary Share (2001 : 16.25c)	<b>94.2</b>	84.7
	<b>133.3</b>	120.0
<b>Cash flow statement</b>		
Dividends to shareholders	<b>123.9</b>	102.1
Less preference dividend separately disclosed	<b>(0.1)</b>	(0.1)
Less issue of shares in lieu of dividend (i)	<b>(23.3)</b>	(23.9)
Dividends paid by subsidiary undertakings to minority shareholders	<b>11.1</b>	0.8
Equity dividends paid	<b>111.6</b>	78.9

- (i) In accordance with the scrip dividend scheme, shares to the value of €23.3 million were issued in lieu of dividends. This amount has been added to shareholders' funds (see note 26).

## 9 Earnings per Ordinary Share

	2002	2001
The computation of basic and diluted earnings per share is set out below:		
<i>Numerator for basic and diluted earnings per share</i>		
Profit after tax, minority interests and preference dividends (€ millions)	<b>623.3</b>	582.0
<i>Denominator for basic earnings per share</i>		
Weighted average number of shares (millions) in issue for the year (i)	<b>522.8</b>	504.7
Effect of dilutive potential Ordinary Shares (employee share options)	<b>2.9</b>	4.7
<i>Denominator for diluted earnings per share</i>	<b>525.7</b>	509.4
<b>Earnings per Ordinary Share</b>		
- basic	<b>119.22c</b>	115.32c
- diluted	<b>118.57c</b>	114.25c

(i) In March 2001, 103,622,311 new Ordinary Shares were issued at €10.50 per share on the basis of one new Ordinary Share for every four existing Ordinary Shares under the terms of a Rights Issue. The average number of shares in issue in 2002 reflects the inclusion of the new Rights Issue shares for the full year, compared with nine months in 2001.

## 10 Intangible asset - goodwill

With effect from 1st January 1998, goodwill, being the excess of the consideration over the fair value of net assets at the date of acquisition of subsidiary undertakings, is capitalised, and related amortisation based on its estimated useful life of 20 years is charged against profit before interest. Goodwill arising prior to that date was written-off immediately against reserves.

	2002 €m	2001 €m
<b>Cost</b>		
At 1st January	<b>1,279.9</b>	1,019.8
Translation adjustment	<b>(127.2)</b>	23.6
Arising on acquisitions during the year (note 29)	<b>185.1</b>	236.5
Disposals	<b>(6.1)</b>	-
At 31st December	<b>1,331.7</b>	1,279.9
<b>Amortisation</b>		
At 1st January	<b>126.4</b>	65.2
Translation adjustment	<b>(14.3)</b>	2.0
Amortised during the year	<b>67.6</b>	59.2
Disposals	<b>(2.1)</b>	-
At 31st December	<b>177.6</b>	126.4
<b>Net book amount at 31st December</b>	<b>1,154.1</b>	1,153.5

**11 Tangible assets**

	Land and buildings €m	Plant and machinery €m	Transport €m	Assets in course of construction €m	Total €m
<b>Cost/valuation</b>					
At 1st January	<b>2,914.9</b>	<b>3,640.0</b>	<b>427.3</b>	<b>102.0</b>	<b>7,084.2</b>
Translation adjustment	<b>(342.5)</b>	<b>(377.4)</b>	<b>(59.0)</b>	<b>(10.0)</b>	<b>(788.9)</b>
Reclassifications	<b>6.9</b>	<b>26.5</b>	<b>18.3</b>	<b>(51.7)</b>	<b>–</b>
Additions at cost	<b>54.8</b>	<b>230.7</b>	<b>40.0</b>	<b>41.9</b>	<b>367.4</b>
Arising on acquisitions during the year (note 29)	<b>348.0</b>	<b>225.2</b>	<b>33.4</b>	<b>0.5</b>	<b>607.1</b>
Disposals	<b>(38.1)</b>	<b>(114.7)</b>	<b>(26.4)</b>	<b>–</b>	<b>(179.2)</b>
At 31st December	<b>2,944.0</b>	<b>3,630.3</b>	<b>433.6</b>	<b>82.7</b>	<b>7,090.6</b>
<b>Accumulated depreciation</b>					
At 1st January	<b>347.8</b>	<b>1,394.3</b>	<b>191.6</b>	<b>–</b>	<b>1,933.7</b>
Translation adjustment	<b>(31.3)</b>	<b>(139.0)</b>	<b>(21.2)</b>	<b>–</b>	<b>(191.5)</b>
Depreciation for year	<b>93.9</b>	<b>305.2</b>	<b>57.2</b>	<b>–</b>	<b>456.3</b>
Disposals	<b>(15.0)</b>	<b>(79.8)</b>	<b>(17.5)</b>	<b>–</b>	<b>(112.3)</b>
At 31st December	<b>395.4</b>	<b>1,480.7</b>	<b>210.1</b>	<b>–</b>	<b>2,086.2</b>
<b>Net book amount at 31st December 2002</b>	<b>2,548.6</b>	<b>2,149.6</b>	<b>223.5</b>	<b>82.7</b>	<b>5,004.4</b>
Net book amount at 1st January 2002	2,567.1	2,245.7	235.7	102.0	5,150.5

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. The Group has elected to adopt the transitional arrangements of Financial Reporting Standard 15 – Tangible Fixed Assets (FRS 15) by not implementing a revaluation policy and by continuing to carry these assets at the revalued book amounts.

The original historical cost of revalued assets cannot be obtained without unreasonable expense. The analysis of total cost/valuation is as follows:

	€m
At valuation 31st December 1980	<b>59.0</b>
At cost post 31st December 1980	<b>2,885.0</b>
	<b>2,944.0</b>

	2002 €m	2001 €m
<i>Tangible assets include leased assets as follows</i>		
Cost	<b>15.8</b>	18.9
Accumulated depreciation	<b>(10.2)</b>	(10.1)
Net book amount at 31st December	<b>5.6</b>	8.8
Depreciation charge for year	<b>2.0</b>	2.0

**Future tangible asset purchase commitments**

Contracted for but not provided in the financial statements	<b>122.5</b>	124.4
Authorised by the Directors but not contracted for	<b>63.3</b>	68.7

## 12 Financial assets

Group	Joint ventures			Other investments (i)	Total
	Share of net assets	Goodwill	Loans		
	€m	€m	€m	€m	€m
At 1st January	<b>194.4</b>	<b>60.0</b>	<b>27.1</b>	<b>34.3</b>	<b>315.8</b>
Translation adjustment	<b>(25.5)</b>	<b>(6.2)</b>	<b>(0.2)</b>	<b>(2.1)</b>	<b>(34.0)</b>
Joint ventures becoming subsidiaries	<b>(7.5)</b>	<b>(1.3)</b>	–	–	<b>(8.8)</b>
Arising on acquisition of subsidiaries	<b>0.2</b>	–	<b>0.2</b>	<b>1.4</b>	<b>1.8</b>
Reclassification (ii)	<b>19.5</b>	<b>(19.5)</b>	–	–	–
Investments and advances	<b>17.7</b>	<b>0.2</b>	<b>3.6</b>	<b>0.5</b>	<b>22.0</b>
Disposals and repayments	<b>(4.7)</b>	–	<b>(2.3)</b>	<b>(12.0)</b>	<b>(19.0)</b>
Retained profit less dividends paid	<b>(1.0)</b>	<b>(2.0)</b>	–	–	<b>(3.0)</b>
At 31st December	<b>193.1</b>	<b>31.2</b>	<b>28.4</b>	<b>22.1</b>	<b>274.8</b>

(i) Other investments include investments listed on a recognised stock exchange at cost of €4.7 million (2001 : €4.7 million). The market value of these investments at 31st December 2002 amounted to €13.0 million (2001 : €11.7 million).

(ii) This reclassification revises the provisional valuation of net assets and goodwill included at 31st December 2001 in respect of an investment made by the Group in 2001.

### Company - investment in subsidiary undertakings

	Shares €m	Loans €m	Total €m
At 1st January at cost/valuation	<b>1,937.2</b>	<b>955.5</b>	<b>2,892.7</b>
Investments/(repayments)	<b>7.8</b>	<b>(105.6)</b>	<b>(97.8)</b>
At 31st December	<b>1,945.0</b>	<b>849.9</b>	<b>2,794.9</b>

The Company's investment in its subsidiary undertakings was revalued at 31st December 1980 to reflect the surplus on revaluation of fixed assets of subsidiary undertakings (see note 11). The original historical cost of the shares equated to approximately €9.1 million.

	€m
At valuation 31st December 1980	<b>46.7</b>
At cost post 31st December 1980	<b>1,898.3</b>
	<b>1,945.0</b>

**13 Disposal of fixed assets**

	2002 €m	2001 €m
Assets at net book amount:		
- Intangible assets	<b>4.0</b>	–
- Tangible assets	<b>66.9</b>	57.0
- Financial assets	<b>19.0</b>	9.4
Goodwill previously written-off against reserves	–	6.3
	<b>89.9</b>	72.7
Profit on disposal of fixed assets excluding share of joint ventures	<b>14.5</b>	16.3
Proceeds on disposal of fixed assets	<b>104.4</b>	89.0

**14 Stocks**

	2002 €m	2001 €m
Raw materials	<b>236.7</b>	226.7
Work-in-progress	<b>87.5</b>	97.5
Finished goods	<b>739.8</b>	677.9
	<b>1,064.0</b>	1,002.1

**15 Debtors**

	Group		Company	
	2002 €m	2001 €m	2002 €m	2001 €m
<i>Amounts falling due within one year</i>				
Trade debtors	<b>1,232.1</b>	1,354.7	–	–
Long-term contract debtors	<b>104.4</b>	132.4	–	–
Other debtors	<b>100.1</b>	107.6	–	–
Amounts owed by Group undertakings	–	–	<b>78.8</b>	73.3
Amounts owed by joint ventures	<b>1.4</b>	1.6	–	–
Prepayments and accrued income	<b>87.4</b>	96.7	–	–
	<b>1,525.4</b>	1,693.0	<b>78.8</b>	73.3

## 16 Trade and other creditors

	Group		Company	
	2002 €m	2001 €m	2002 €m	2001 €m
<i>Amounts falling due within one year</i>				
Trade creditors	<b>744.9</b>	788.5	-	-
Irish income tax and social welfare	<b>4.0</b>	4.1	-	-
Other income tax and social welfare	<b>32.6</b>	29.4	-	-
Value added tax	<b>38.1</b>	38.1	-	-
Deferred acquisition consideration	<b>61.9</b>	74.5	-	-
Other creditors	<b>155.5</b>	185.5	<b>2.5</b>	2.8
Accruals and deferred income	<b>349.4</b>	358.3	-	-
Amounts owed to Group undertakings	-	-	<b>0.3</b>	0.3
Amounts owed to joint ventures	<b>0.8</b>	0.3	-	-
	<b>1,387.2</b>	1,478.7	<b>2.8</b>	3.1
<i>Amounts falling due after more than one year</i>				
Deferred acquisition consideration, due as follows:				
- Between one and two years	<b>52.8</b>	65.1	-	-
- Between two and five years	<b>65.6</b>	79.7	-	-
- After five years	<b>24.1</b>	29.0	-	-
	<b>142.5</b>	173.8	-	-
	<b>1,529.7</b>	1,652.5	<b>2.8</b>	3.1

## 17 Movements in working capital

	Stocks €m	Debtors €m	Creditors €m	Total €m
At 1st January	<b>1,002.1</b>	<b>1,693.0</b>	<b>(1,652.5)</b>	<b>1,042.6</b>
Translation adjustment	<b>(110.5)</b>	<b>(172.9)</b>	<b>176.2</b>	<b>(107.2)</b>
Arising on acquisitions during the year (note 29)	<b>145.5</b>	<b>168.3</b>	<b>(124.0)</b>	<b>189.8</b>
Deferred acquisition consideration:				
- deferred in current year (note 29)	-	-	<b>(74.1)</b>	<b>(74.1)</b>
- paid during the year	-	-	<b>80.3</b>	<b>80.3</b>
Interest accruals	-	<b>(13.1)</b>	<b>7.9</b>	<b>(5.2)</b>
(Decrease)/increase in working capital	<b>26.9</b>	<b>(149.9)</b>	<b>56.5</b>	<b>(66.5)</b>
At 31st December	<b>1,064.0</b>	<b>1,525.4</b>	<b>(1,529.7)</b>	<b>1,059.7</b>
Movement in prior year	6.0	(14.7)	73.0	64.3

Notes on financial statements

18 Loans

	2002 €m	2001 €m
Bank loans - unsecured	768.9	1,417.2
- secured*	47.6	33.8
Other term loans - unsecured	2,318.3	1,737.4
- secured*	28.4	33.3
	<u>3,163.2</u>	<u>3,221.7</u>
Less loans repayable within one year	152.9	368.2
	<u>3,010.3</u>	<u>2,853.5</u>
<i>*Secured on specific tangible assets</i>		
<i>Repayments fall due as follows</i>		
Within one year	152.9	368.2
Between one and two years	479.5	289.9
Between two and three years	119.2	759.5
Between three and four years	202.7	128.3
Between four and five years	19.8	219.7
After five years	2,189.1	1,456.1
	<u>3,163.2</u>	<u>3,221.7</u>
<i>Loans fully repayable within five years</i>		
Not by instalments	891.1	1,692.5
By instalments	63.6	60.0
	<u>954.7</u>	<u>1,752.5</u>
<i>Loans fully repayable in more than five years</i>		
Not by instalments	2,172.3	1,442.0
By instalments**	36.2	27.2
	<u>2,208.5</u>	<u>1,469.2</u>
	<u>3,163.2</u>	<u>3,221.7</u>
<i>**€16.8 million (2001 : €17.4 million) falls due for payment after five years.</i>		
<i>Finance lease obligations included above, net of interest, are due as follows</i>		
Within one year	1.4	2.8
Between one and two years	2.5	2.6
Between two and five years	2.4	3.7
After five years	8.5	9.9
	<u>14.8</u>	<u>19.0</u>

**Borrowing facilities**

Various borrowing facilities are available to the Group. The undrawn committed facilities available at 31st December 2002, in respect of which all conditions precedent had been met, mature as follows:

	€m
Within one year	113.4
Between one and two years	330.4
Between two and five years	176.8
After five years	-
	<u>620.6</u>

## 19 Analysis of net debt

	At 1st January 2002	Cash flow	Acquisitions	Non-cash changes	Translation adjustment	At 31st December 2002
	€m	€m	€m	€m	€m	€m
Cash	261.2	3.2	-	-	(25.2)	239.2
Bank overdrafts and demand loans	(135.3)	45.8	-	-	9.6	(79.9)
Total cash and demand debt	125.9	49.0	-	-	(15.6)	159.3
Short-term deposits and liquid resources	1,202.1	169.7	0.1	-	(77.9)	1,294.0
Loans repayable within one year	(365.4)	521.9	(54.7)	(271.8)	18.5	(151.5)
Loans repayable after one year	(2,837.3)	(714.4)	(38.9)	271.8	321.9	(2,996.9)
Finance leases	(19.0)	5.1	(2.3)	-	1.4	(14.8)
Total term finance	(3,221.7)	(187.4)	(95.9)	-	341.8	(3,163.2)
Net debt	(1,893.7)	31.3	(95.8)	-	248.3	(1,709.9)

## 20 Treasury information

### Interest rate and currency profile

The interest rate and currency profile of the Group's net debt and net worth as at 31st December 2002 was as follows:

	euro	US Dollar	Pound Sterling	Swiss Franc	Other	Total
	€m	€m	€m	€m	€m	€m
<i>Weighted average fixed debt interest rates</i>	5.1%	7.5%	6.0%	3.6%	10.1%	6.8%
<i>Weighted average fixed debt periods - years</i>	2.0	7.0	1.0	2.4	2.4	4.9
Fixed rate debt	(116.3)	(505.9)	(76.9)	(103.6)	(78.5)	(881.2)
Floating rate debt	(285.4)	(1,191.1)	(375.4)	(312.1)	(197.9)	(2,361.9)
Cash and liquid resources - floating rate	478.9	547.6	294.0	173.4	39.3	1,533.2
Net debt by major currency	77.2	(1,149.4)	(158.3)	(242.3)	(237.1)	(1,709.9)
Loans to joint ventures	26.7	-	1.2	0.5	-	28.4
Deferred acquisition consideration falling due after more than one year	-	(140.7)	(1.8)	-	-	(142.5)
Net financial assets and liabilities (excluding short-term debtors and creditors)	103.9	(1,290.1)	(158.9)	(241.8)	(237.1)	(1,824.0)
Capital employed at 31st December 2002	1,436.5	3,884.8	484.8	295.9	595.4	6,697.4
Minority shareholders' equity interest	(5.4)	-	(0.4)	(5.0)	(100.1)	(110.9)
Capital grants	(14.1)	-	(0.5)	-	-	(14.6)
Shareholders' funds (net worth) at 31st December 2002	1,520.9	2,594.7	325.0	49.1	258.2	4,747.9

**20 Treasury information** continued

The corresponding interest rate and currency profile of the Group's net debt and net worth as at 31st December 2001 was as follows:

	euro €m	US Dollar €m	Pound Sterling €m	Swiss Franc €m	Other €m	Total €m
<i>Weighted average fixed debt interest rates</i>	4.9%	7.4%	6.9%	3.6%	12.0%	6.9%
<i>Weighted average fixed debt periods - years</i>	2.0	6.8	1.3	2.7	2.5	4.9
Fixed rate debt	(173.6)	(726.8)	(98.0)	(136.4)	(91.2)	(1,226.0)
Floating rate debt	(416.4)	(776.4)	(423.9)	(285.6)	(228.7)	(2,131.0)
Cash and liquid resources - floating rate	621.6	360.4	287.1	143.5	50.7	1,463.3
Net debt by major currency	31.6	(1,142.8)	(234.8)	(278.5)	(269.2)	(1,893.7)
Loans to joint ventures	24.6	–	1.8	0.7	–	27.1
Deferred acquisition consideration falling due after more than one year	(2.4)	(169.8)	(1.6)	–	–	(173.8)
Net financial assets and liabilities (excluding short-term debtors and creditors)	53.8	(1,312.6)	(234.6)	(277.8)	(269.2)	(2,040.4)
Capital employed at 31st December 2001	1,472.7	3,931.2	505.9	303.7	713.1	6,926.6
Minority shareholders' equity interest	(4.8)	–	–	(3.5)	(126.8)	(135.1)
Capital grants	(15.0)	–	(0.7)	–	–	(15.7)
Shareholders' funds (net worth) at 31st December 2001	1,506.7	2,618.6	270.6	22.4	317.1	4,735.4

The amounts shown above take into account the effect of currency swaps, forward contracts and other derivatives entered into to manage these currency and interest rate exposures.

Floating rate debt comprises bank borrowings and finance leases bearing interest at rates fixed 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, Euribor).

Cash deposits and liquid investments comprise cash deposits placed on money markets for periods of up to six months and high quality liquid investments such as commercial paper and bonds.

As explained in the Finance review on pages 26 to 29, the Group's policy is to spread its net worth across the currencies of the countries in which it invests. Interest rate swaps are entered into only for the purpose of managing the Group's mix of fixed and floating rate debt. Currency swaps are entered into only for the purpose of managing the Group's mix of fixed and floating rate debt by currency to ensure that the Group's debt funding sources match the currency of the Group's operations. In line with Group policy, all derivative contracts are entered into with highly-rated counterparties. Gains and losses arising on the re-translation of net worth are dealt with in the statement of total recognised gains and losses.

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 profit and loss account. As at 31st December 2002, these exposures were not material.

## 20 Treasury information continued

### Fair values of debt, cash and liquid resources

A comparison by category of book values and fair values of all the Group's financial assets and financial liabilities (excluding short-term debtors and creditors) at 31st December 2002 and 31st December 2001 is set out below:

	Gross debt €m	Derivative contracts		Cash and liquid resources €m	Other financial instruments €m	Total €m
		Gains €m	Losses €m			
2001 book value	(3,394.5)	69.2	(31.7)	1,463.3	(146.7)	(2,040.4)
2001 fair value	(3,517.8)	153.8	(55.4)	1,463.3	(146.7)	(2,102.8)
Unrecognised gains and losses as at 31st December 2001	(123.3)	84.6	(23.7)	-	-	(62.4)
2002 book value	<b>(3,152.4)</b>	<b>10.3</b>	<b>(101.0)</b>	<b>1,533.2</b>	<b>(114.1)</b>	<b>(1,824.0)</b>
2002 fair value	<b>(3,490.2)</b>	<b>324.5</b>	<b>(119.4)</b>	<b>1,533.2</b>	<b>(114.1)</b>	<b>(1,866.0)</b>
Unrecognised gains and losses as at 31st December 2002	<b>(337.8)</b>	<b>314.2</b>	<b>(18.4)</b>	-	-	<b>(42.0)</b>
Reconciliation of movement in unrecognised gains and losses						
At 31st December 2001	<b>(123.3)</b>	<b>84.6</b>	<b>(23.7)</b>	-	-	<b>(62.4)</b>
Portion recognised in 2002	<b>60.9</b>	<b>(45.0)</b>	<b>15.9</b>	-	-	<b>31.8</b>
Arising in 2002	<b>(275.4)</b>	<b>274.6</b>	<b>(10.6)</b>	-	-	<b>(11.4)</b>
At 31st December 2002	<b>(337.8)</b>	<b>314.2</b>	<b>(18.4)</b>	-	-	<b>(42.0)</b>
<i>Of which, expected to be recognised</i>						
- in 2003	<b>(97.8)</b>	<b>85.7</b>	<b>(8.4)</b>	-	-	<b>(20.5)</b>
- after 2003	<b>(240.0)</b>	<b>228.5</b>	<b>(10.0)</b>	-	-	<b>(21.5)</b>
	<b>(337.8)</b>	<b>314.2</b>	<b>(18.4)</b>	-	-	<b>(42.0)</b>

Other financial instruments comprise loans to joint ventures and deferred acquisition consideration due after more than one year.

Most of the fair value of derivative contracts arises from interest and currency swaps. A small portion arises from contracts to hedge future energy costs.

The book value of fixed rate debt and fixed rate swaps is the outstanding principal values of debt/swaps. The fair value of swaps and fixed rate debt is the net present value of future interest and capital payments discounted at prevailing interest rates. When the fixed interest rates on debt and swaps differ from prevailing rates, fair value will differ from book value. The fair value of floating rate instruments approximates book value.

As the Group has a policy of fixing interest rates on a portion of net debt, the fair value of such debt will be above book value when prevailing interest rates are below the fixed rates being paid by the Group.

At both 31st December 2002 and 31st December 2001, interest rates were generally below the fixed rates being paid by the Group. As a consequence, the fair value of the Group's fixed interest rate instruments included a net unrecognised loss of €42.0 million (2001 : €62.4 million).

**21 Guarantees**

The Company has given letters of guarantee to secure obligations of subsidiary undertakings as follows: €3,131.2 million in respect of loans, bank advances and future lease obligations, €79.3 million in respect of deferred acquisition consideration and €17.7 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 in the Republic of Ireland for the financial year to 31st December 2002 and as a result such subsidiary undertakings have been exempted from the filing provisions of Section 7, Companies (Amendment) Act, 1986.

**22 Capital grants**

	2002 €m	2001 €m
At 1st January	15.7	17.3
Translation adjustment	–	–
Arising on acquisitions during the year (note 29)	0.7	–
Received	0.1	0.1
	<u>16.5</u>	<u>17.4</u>
Released to Group profit and loss account	(1.9)	(1.7)
At 31st December	<u>14.6</u>	<u>15.7</u>

**23 Provisions for liabilities and charges**

	2002 €m	2001 €m
Deferred taxation	478.4	349.5
Other provisions for liabilities and charges	300.9	305.5
	<u>779.3</u>	<u>655.0</u>
<b>Deferred taxation</b>		
At 1st January	349.5	265.6
Translation adjustment	(41.5)	9.3
Provided during the year	70.7	65.6
Arising on acquisitions during the year	2.2	9.0
Reclassified on implementation of FRS 19 (i)	97.5	–
At 31st December	<u>478.4</u>	<u>349.5</u>
<i>Deferred taxation represents the following total timing differences</i>		
Fixed assets, principally depreciation	638.7	545.9
Stock relief	1.5	1.0
Tax losses and other timing differences	(161.8)	(197.4)
	<u>478.4</u>	<u>349.5</u>

(i) Implementation in 2002 of Financial Reporting Standard 19 - Deferred Tax (FRS 19) did not result in any change in the net tax charge for the Group. However, tax balances previously reported under current and future tax in the balance sheet have now been reclassified to deferred taxation in accordance with FRS 19.

## 23 Provisions for liabilities and charges continued

### Other provisions for liabilities and charges

	At 1st January 2002 €m	Acquisitions during year €m	Provided during year €m	Utilised during year €m	Reversed unused €m	Translation adjustment €m	At 31st December 2002 €m
Insurance (i)	155.6	0.3	47.8	(40.8)	–	(20.5)	142.4
Post-retirement obligations (ii)	20.7	–	4.0	(3.8)	–	(1.9)	19.0
Guarantees and warranties (iii)	21.5	0.5	4.4	(5.4)	(0.5)	(1.4)	19.1
Rationalisation and redundancy (iv)	12.7	–	17.1	(14.7)	(0.8)	(1.0)	13.3
Environment and remediation (v)	46.7	4.4	9.1	(1.7)	(0.3)	(0.2)	58.0
Other	48.3	0.1	57.2	(51.6)	(2.0)	(2.9)	49.1
<b>Total</b>	<b>305.5</b>	<b>5.3</b>	<b>139.6</b>	<b>(118.0)</b>	<b>(3.6)</b>	<b>(27.9)</b>	<b>300.9</b>

#### (i) Insurance

This provision relates to workers' compensation (employer's liability) and third party liabilities or claims covered under the Group's self-insurance schemes. Due to the time frame that is often involved in such claims, a significant part of this provision is subject to actuarial valuation. Where this is not appropriate, other external assessments are made.

#### (ii) Post-retirement obligations

These comprise provisions for post-retirement healthcare obligations and life assurance obligations in respect of certain current and former employees in the United States in addition to early retirement for certain senior executives throughout the Group. The method of accounting for these provisions is similar to that used for pension obligations. The early retirement provisions are calculated using assumptions broadly in line with those set out in note 31 relating to pensions, while the principal actuarial assumptions used in determining the required provisions are that healthcare costs will increase by 7% per annum.

#### (iii) Guarantees and warranties

Some products carry formal guarantees of satisfactory performance of varying periods following their purchase by customers. Provision is made for the estimated cost of honouring unexpired warranties. The expected timing of any payments under such guarantees and warranties is uncertain.

#### (iv) Rationalisation and redundancy

These provisions relate to obligations under various rationalisation and redundancy programmes throughout the Group, none of which is individually material. The Group expects these provisions to be utilised within three years.

#### (v) Environment and remediation

These provisions include obligations for site remediation and improvement costs to be incurred in compliance with local or national environmental regulations and best practice. These provisions are expected to be utilised within two to ten years.

## 24 Share capital

	Equity		Non-equity	
	Ordinary Shares of €0.32 each	Income Shares of €0.02 each	5% Cumulative Preference Shares of €1.27 each	7% 'A' Cumulative Preference Shares of €1.27 each
	(i)	(ii)	(iii)	
	€m	€m	€m	€m
<b>Authorised</b>				
At 1st January and 31st December	<b>235.2</b>	<b>14.7</b>	<b>0.2</b>	<b>1.1</b>
Number of Shares ('000)	<b>735,000</b>	<b>735,000</b>	<b>150</b>	<b>872</b>
<b>Allotted, called-up and fully paid</b>				
At 1st January	<b>166.9</b>	<b>10.4</b>	<b>0.1</b>	<b>1.1</b>
Share options and share participation (iv)	<b>0.3</b>	<b>–</b>	<b>–</b>	<b>–</b>
Shares issued in lieu of dividends (v)	<b>0.5</b>	<b>0.1</b>	<b>–</b>	<b>–</b>
At 31st December	<b>167.7</b>	<b>10.5</b>	<b>0.1</b>	<b>1.1</b>
Number of Shares ('000)	<b>524,234</b>	<b>524,234</b>	<b>50</b>	<b>872</b>

**(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.

**(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**

*Share option schemes* Under the terms of the employees' share option schemes, options are exercisable at prices varying from €4.1058 to €19.68 and Stg£5.3287 to Stg£12.04. At 31st December 2002, options over 22,025,314 shares had not yet been exercised. This figure includes options over 8,903,867 shares and 8,041,651 shares which can only be exercised after the expiration of three years and five years respectively from the dates of grant of those options and after specific EPS growth targets have been achieved.

## 24 Share capital continued

*Savings-related share option schemes* Under the terms of the savings-related share option schemes, options over 383,410 shares and 766,089 shares have been granted pursuant to three and five-year contracts respectively and are exercisable at prices varying from €15.39 to €16.09 and Stg£8.7719 to Stg£10.08. The price at which the options were granted under the schemes represented a discount of 15% to the market price on the date of grant. These options are normally exercisable within a period of six months after the third or fifth anniversary of the contract, whichever is applicable. In accordance with UITF 17 'Employee share schemes', no stock compensation expense has been recorded in relation to savings-related share option schemes.

*Share participation schemes* At 31st December 2002, 4,404,155 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.

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 2002, 1,066,258 Ordinary Shares were issued to the holders of Ordinary Shares who elected to receive additional Ordinary Shares at a price of €18.68 per share, instead of part or all of the cash element of their 2001 final dividend. In November 2002, 229,801 Ordinary Shares were issued to the holders of Ordinary Shares who elected to receive additional Ordinary Shares at a price of €14.77 per share, instead of part or all of the cash element of their 2002 interim dividend.

## 25 Reserves

	Share premium account €m	Other reserves €m	
<b>Group</b>			
At 1st January	2,002.5	9.9	
Premium on shares issued	36.2	-	
Expenses paid in respect of share issues	(0.4)	-	
At 31st December	<u>2,038.3</u>	<u>9.9</u>	
	Share premium account €m	Revaluation reserve €m	Profit and loss account €m
<b>Company</b>			
At 1st January	2,006.6	41.5	687.3
Premium on shares issued	36.2	-	-
Expenses paid in respect of share issues	(0.4)	-	-
Profit before taxation	-	-	0.8
Corporation tax	-	-	(0.2)
Dividends	-	-	(133.4)
Currency translation effects on foreign currency net investments	-	-	(0.8)
At 31st December	<u>2,042.4</u>	<u>41.5</u>	<u>553.7</u>

In accordance with Section 3 (2) of the Companies (Amendment) Act, 1986, the profit and loss account of the Company has not been presented separately in these financial statements.

**26 Reconciliation of movements in shareholders' funds**

	2002 €m	2001 €m
At 1st January	<b>4,735.4</b>	3,075.1
Profit retained for the financial year	<b>490.0</b>	462.0
Currency translation effects:		
- on results for the year	<b>(31.7)</b>	0.5
- on foreign currency net investments	<b>(482.5)</b>	83.5
Issue of shares	<b>13.8</b>	1,104.7
Issued in lieu of dividends	<b>23.3</b>	23.9
Expenses paid in respect of share issues	<b>(0.4)</b>	(20.6)
Goodwill written-back on disposal	-	6.3
At 31st December	<b><u>4,747.9</u></b>	<b><u>4,735.4</u></b>

**27 Minority shareholders' equity interest**

	2002 €m	2001 €m
At 1st January	<b>135.1</b>	35.7
Translation adjustment	<b>(17.1)</b>	0.9
Profit on ordinary activities after taxation	<b>5.5</b>	3.8
Dividends paid	<b>(11.1)</b>	(0.8)
Arising on acquisition (mainly buyout of minority interests)	<b>(1.5)</b>	(13.7)
Preference shares issued by a subsidiary	-	109.2
At 31st December	<b><u>110.9</u></b>	<b><u>135.1</u></b>

**28 Reconciliation of operating profit to net cash inflow from operating activities**

	2002 €m	2001 €m
Group operating profit (excluding goodwill amortisation)	<b>1,014.6</b>	993.6
Depreciation charge	<b>456.3</b>	436.1
Capital grants released	<b>(1.9)</b>	(1.7)
Net movement on provisions during the year	<b>18.0</b>	19.3
Decrease/(increase) in working capital (note 17)	<b>66.5</b>	(64.3)
Net cash inflow from operating activities	<b><u>1,553.5</u></b>	<b><u>1,383.0</u></b>

## 29 Acquisition of subsidiary undertakings

The principal acquisitions during 2002, none of which is large enough to warrant separate disclosure as a material acquisition for the Group, were:

### Ireland

*Materials business* – Allister Quarries

### Europe

*Materials businesses* – Prefabet Reda and Masfalt PPBD in Poland; Hard AG in Switzerland.

*Products & Distribution businesses* – The EHL Group in Germany; Douterloigne in Belgium; Aluland, Stiho and the buyout of the remaining 50% of EcoTherm in the Netherlands; Geoquip in Britain; Mabo Aumek in Estonia and Vicom and BBH Baubedarf in Switzerland.

### Americas

*Materials businesses* – Certain assets of US Aggregates in Idaho, Utah and Alabama; Madison Highway Products in New York State; Quinn Brothers in New Hampshire; ConAgg Recycling Corp. and Plaza Materials in New York City; Nuckolls Concrete Services, Hosteng Concrete and Gravel, J. W. Ready Mix and Construction, Rasmussen Lumber, A.M. Cohron and two sand and gravel pits in Iowa; Maronick Construction and Nupac in Montana; Kermit Butcher Contractors and R.H. Armstrong in West Virginia; Chesterhill Stone Co., two sand and gravel deposits and four quarries in Ohio.

*Products & Distribution businesses* – Anchor Concrete Products in New Jersey; Specialty Minerals Group with operations in Massachusetts, New Jersey, Pennsylvania, Virginia and Ohio; Dixie Cut Stone & Marble in Michigan; Christy Concrete Products in the western United States; the Shelter Division of Andrew Corporation in Georgia; Irving N. Loomis in Pennsylvania; Precast Systems in Texas; Remodelers Supply in Chicago; A.L.L. in southern California; Arzee Supply in northern New Jersey and New York and an additional 30% shareholding in Vidrios Dell Orto in Chile.

	2002 €m	2001 €m
Tangible assets	<b>607.1</b>	496.4
Financial assets	<b>(7.0)</b>	27.6
Stocks	<b>145.5</b>	71.3
Debtors	<b>168.3</b>	134.4
Creditors	<b>(124.0)</b>	(106.9)
Taxation, including deferred taxation	<b>(6.9)</b>	(8.4)
Provisions	<b>(5.3)</b>	(22.0)
Capital grants	<b>(0.7)</b>	–
Minority shareholders' interest	<b>1.5</b>	13.7
Net assets acquired at fair value	<b>778.5</b>	606.1
Goodwill arising on acquisition	<b>185.1</b>	236.5
<b>Consideration</b>	<b>963.6</b>	842.6
<i>Satisfied by</i>		
Cash payment	<b>810.4</b>	747.6
Cash acquired on acquisition	<b>(50.4)</b>	(22.6)
Bank overdrafts assumed on acquisition	<b>33.7</b>	23.7
Net cash outflow	<b>793.7</b>	748.7
Loans and finance leases, net of liquid resources, acquired on acquisition	<b>95.8</b>	66.1
Deferred acquisition consideration	<b>74.1</b>	27.8
	<b>963.6</b>	842.6

**29 Acquisition of subsidiary undertakings** continued**Fair values on acquisition**

The fair values were calculated as follows

	Book values €m	Revaluation €m	Accounting policy alignment €m	Fair values €m
Fixed assets	<b>416.1</b>	<b>183.9</b>	<b>0.1</b>	<b>600.1</b>
Working capital	<b>202.5</b>	<b>(11.8)</b>	<b>(0.9)</b>	<b>189.8</b>
Provisions	<b>(5.3)</b>	–	–	<b>(5.3)</b>
Taxation, including deferred taxation	<b>(6.9)</b>	–	–	<b>(6.9)</b>
Capital grants	<b>(0.7)</b>	–	–	<b>(0.7)</b>
Minority shareholders' interest	<b>1.5</b>	–	–	<b>1.5</b>
Net assets	<b>607.2</b>	<b>172.1</b>	<b>(0.8)</b>	<b>778.5</b>
Goodwill	<b>356.4</b>	<b>(172.1)</b>	<b>0.8</b>	<b>185.1</b>
Consideration	<b>963.6</b>	–	–	<b>963.6</b>

No provisions were made in respect of reorganisation, redundancies or related asset write-downs in the twelve months preceding the effective dates of acquisition.

The fair values set out above include provisional valuations for certain acquisitions completed in 2002; any eventual revisions to these provisional values will be reflected in the 2003 financial statements.

**30 Operating leases**

	2002 €m	2001 €m
<i>Operating lease rentals (charged before arriving at Group operating profit)</i>		
Hire of plant and machinery	<b>62.6</b>	52.7
Land and buildings	<b>53.6</b>	54.9
Other operating leases	<b>10.5</b>	10.5
	<b>126.7</b>	118.1
	<b>Plant and machinery €m</b>	<b>Land and buildings €m</b>
<i>Annual commitments under operating leases which expire</i>		<b>Other leases €m</b>
Within one year	<b>16.9</b>	<b>7.4</b>
After one but within five years	<b>27.4</b>	<b>24.9</b>
After five years	<b>2.2</b>	<b>18.1</b>
	<b>46.5</b>	<b>50.4</b>
		<b>7.6</b>

**31 Pensions**

The Group operates either defined benefit or defined contribution pension schemes in all its operating areas, with the exception of Spain, France, Poland and South America. Scheme assets are held in separate trustee administered funds. Total pension costs for the year amounted to €107.9 million (2001 : €95.8 million) of which €48.3 million (2001 : €46.1 million) was paid in respect of defined contribution schemes.

The pension costs relating to the Group's defined benefit schemes are assessed in accordance with the advice of independent qualified actuaries. In Ireland and Britain, either the entry age or aggregate methods are used to assess pension costs, while in the Netherlands and the United States, the projected unit credit method is used. The actuarial valuations range from April 1999 to December 2002.

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 rate of increase in remuneration and pensions. 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.

### 31 Pensions continued

The market value of the Group's defined benefit schemes as at 31st December 2002 totalled €1,134.5 million, and at the dates of the most recent actuarial valuations, all but seven of the schemes had a surplus on a current funding level basis; the combined deficiency of €48.9 million in these seven schemes, which have combined assets of €243.3 million as at 31st December 2002, is being funded over the weighted average service lives of the members. After allowing for expected future increases in earnings and pensions in payment, the valuations indicated that the actuarial value of total scheme assets was sufficient to cover 100% of the benefits that had accrued to the members of the combined schemes as at the valuation dates.

At the year-end, €45.2 million (2001 : €53.6 million) was included in creditors in respect of pension liabilities and €3.9 million (2001 : €5.7 million) was included in debtors in respect of pension prepayments.

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

#### Financial Reporting Standard 17 - Retirement Benefits

Financial Reporting Standard 17 – Retirement Benefits (FRS 17), was issued by the Accounting Standards Board in November 2000 and represents a significant change in the method of accounting for pension costs compared with the previous rules as set out in Statement of Standard Accounting Practice 24 (SSAP 24). Full implementation of the new accounting rules prescribed by FRS 17 has been deferred by the Accounting Standards Board. The Group has elected to avail of the transitional provisions outlined in the standard which for 2002 permit the use of the SSAP 24 regulations for determining pension cost but require the additional disclosure of the impact of the adoption of FRS 17 as at 31st December 2002.

CRH operates defined benefit pension schemes in Ireland, Britain & Northern Ireland, the Netherlands, Switzerland and the US. The valuations employed for FRS 17 disclosure purposes have been updated by the various schemes' independent and qualified actuaries to take account of the requirements of the new accounting standard in order to assess the liabilities of the combined defined benefit pension schemes as at 31st December 2002 and 31st December 2001. The valuations have been completed using the projected unit method.

#### Financial assumptions

##### *Scheme liabilities*

The major long-term assumptions used by the Group's actuaries to calculate scheme liabilities under FRS 17 as at 31st December 2002 and 31st December 2001 are as follows:

	Republic of Ireland		Britain & N. Ireland		Netherlands		Switzerland		US	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
Rate of increase in salaries	4%	4%	4.5%	4.5%	4%	4%	2.25%	2.25%	4.5%	4.5%
Rate of increase in pensions in payment	2%	2%	3%	3%	2%	2%	1.5%	1.5%	-	-
Inflation	2%	2%	2.5%	2.5%	2%	2%	1.5%	1.5%	2.5%	2.5%
Discount rate	5.5%	5.75%	5.75%	5.75%	5.5%	5.75%	3.75%	4%	6.75%	7%

##### *Scheme assets*

The long-term rates of return expected at 31st December 2002 and 31st December 2001, analysed by class of investment, are as follows:

	Republic of Ireland		Britain & N. Ireland		Netherlands		Switzerland		US	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
Equities	8.5%	8.5%	8%	8%	8.5%	8.5%	6.5%	6.5%	9%	9%
Bonds	4.75%	5.5%	4.5%	5%	4.75%	5.5%	4%	4%	6.75%	7%
Property	7%	7%	7%	7%	7%	7%	4%	4%	7%	7%
Other	3.5%	4.5%	3.5%	4.5%	3.5%	4.5%	2.5%	2.5%	3%	3%

## 31 Pensions continued

**Impact of FRS 17 on Group balance sheet**

The net pension liability as at 31st December 2002 is analysed as follows:

	Republic of Ireland €m	Britain & N. Ireland €m	Netherlands €m	Switzerland €m	US €m	Total €m
Equities	315.0	167.5	27.3	41.3	71.3	622.4
Bonds	112.7	101.4	27.4	92.7	36.3	370.5
Property	48.5	–	–	37.0	–	85.5
Other	13.6	11.7	1.4	11.5	17.9	56.1
Total market value of assets	489.8	280.6	56.1	182.5	125.5	1,134.5
Actuarial value of liabilities	(489.2)	(398.4)	(100.9)	(169.6)	(171.0)	(1,329.1)
Recoverable (deficit)/surplus in schemes	0.6	(117.8)	(44.8)	12.9	(45.5)	(194.6)
Related deferred tax asset/(liability)	(0.1)	35.3	15.7	(4.5)	18.2	64.6
Net pension (liability)/asset	0.5	(82.5)	(29.1)	8.4	(27.3)	(130.0)

The corresponding net pension asset as at 31st December 2001 was as follows:

Equities	448.6	219.0	42.1	48.7	86.6	845.0
Bonds	112.2	106.5	33.2	72.7	52.7	377.3
Property	59.3	–	–	28.7	–	88.0
Other	9.9	3.0	0.5	23.2	30.7	67.3
Total market value of assets	630.0	328.5	75.8	173.3	170.0	1,377.6
Actuarial value of liabilities	(440.6)	(386.6)	(92.6)	(157.6)	(186.3)	(1,263.7)
Recoverable surplus/(deficit) in schemes	189.4	(58.1)	(16.8)	15.7	(16.3)	113.9
Related deferred tax asset/(liability)	(18.9)	17.4	5.9	(5.5)	6.5	5.4
Net pension asset/(liability)	170.5	(40.7)	(10.9)	10.2	(9.8)	119.3

*Net assets*

	2002 €m	2001 €m
Total Group net assets excluding pension (liability)/asset	4,858.8	4,870.5
Pension (liability)/asset	(130.0)	119.3

Net assets including pension (liability)/asset	4,728.8	4,989.8
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*Reserves*

Profit and loss account excluding pension (liability)/asset	2,520.3	2,544.5
Pension (liability)/asset	(130.0)	119.3

Profit and loss account including pension (liability)/asset	2,390.3	2,663.8
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**Impact of FRS 17 on reported profit**

The following is a pro-forma indication of the impact on the Group profit and loss account for 2002 and 2001 if CRH had implemented FRS 17 in full for the two years ended 31st December 2002.

	2002			2001		
	SSAP 24 pension expense €m	Total net pension cost under FRS 17 €m	Incremental profit impact of FRS 17 €m	SSAP 24 pension expense €m	Total net pension cost under FRS 17 €m	Incremental profit impact of FRS 17 €m
<i>Impact on Group operating profit</i>						
Pension cost/current service cost	(107.9)	(108.9)	(1.0)	(95.8)	(100.3)	(4.5)
Past service cost (benefit enhancements)	–	(1.9)	(1.9)	–	(8.1)	(8.1)
Total operating charge	(107.9)	(110.8)	(2.9)	(95.8)	(108.4)	(12.6)
<i>Impact on other finance income</i>						
Expected return on pension scheme assets	–	95.5	95.5	–	93.5	93.5
Interest on pension scheme liabilities	–	(69.7)	(69.7)	–	(65.8)	(65.8)
Net return	–	25.8	25.8	–	27.7	27.7
Total net impact on reported profits	(107.9)	(85.0)	22.9	(95.8)	(80.7)	15.1

### 31 Pensions continued

#### Analysis of amount recognised in statement of total recognised gains and losses (STRG&L)

	Republic of Ireland €m	Britain & N. Ireland €m	Netherlands €m	Switzerland €m	US €m	Total €m
Actual return less expected return on pension scheme assets	(171.6)	(58.1)	(16.8)	(16.8)	(25.0)	(288.3)
Experience gains and losses arising on the scheme liabilities	(13.8)	(4.3)	(5.1)	16.6	1.5	(5.1)
Changes in assumptions underlying the present value of scheme liabilities	(20.1)	–	(4.3)	(2.1)	(5.9)	(32.4)
Actuarial loss recognised in STRG&L	<u>(205.5)</u>	<u>(62.4)</u>	<u>(26.2)</u>	<u>(2.3)</u>	<u>(29.4)</u>	<u>(325.8)</u>
<b>Movement in surplus/(deficit) during the year</b>						
Recoverable surplus/(deficit) at 1st January	189.4	(58.1)	(16.8)	15.7	(16.3)	113.9
Translation adjustment	–	5.6	–	0.3	5.9	11.8
<i>Movement in year</i>						
Acquisitions/disposals	–	–	–	(1.3)	–	(1.3)
Current service costs	(8.3)	(14.4)	(6.1)	(3.7)	(6.5)	(39.0)
Employer contributions paid	1.5	11.2	4.3	3.0	1.9	21.9
Past service costs	–	(0.6)	(0.7)	–	(0.6)	(1.9)
Other finance income	23.5	0.9	0.7	1.2	(0.5)	25.8
Actuarial loss recognised in STRG&L	<u>(205.5)</u>	<u>(62.4)</u>	<u>(26.2)</u>	<u>(2.3)</u>	<u>(29.4)</u>	<u>(325.8)</u>
Recoverable (deficit)/surplus at 31st December	<u>0.6</u>	<u>(117.8)</u>	<u>(44.8)</u>	<u>12.9</u>	<u>(45.5)</u>	<u>(194.6)</u>
<b>Experience gains and losses in 2002</b>						
Actual return less expected return on pension scheme assets (€m)	(171.6)	(58.1)	(16.8)	(16.8)	(25.0)	(288.3)
% of scheme assets	-35%	-21%	-30%	-9%	-20%	-25%
Experience gains and losses arising on the scheme liabilities (€m)	(13.8)	(4.3)	(5.1)	16.6	1.5	(5.1)
% of the present value of the scheme liabilities	3%	1%	5%	-10%	-1%	0.4%
Total amount recognised in STRG&L (€m)	<u>(205.5)</u>	<u>(62.4)</u>	<u>(26.2)</u>	<u>(2.3)</u>	<u>(29.4)</u>	<u>(325.8)</u>
% of the present value of the scheme liabilities	42%	16%	26%	1%	17%	25%

### 32 Restatement of certain prior year comparatives

In the Group profit and loss account on page 50, prior year amounts for goodwill amortisation and profit on disposal of fixed assets have been restated to include CRH's share of joint ventures' goodwill and profit on disposal – these amounts were reported as part of CRH's share of joint ventures' operating profit in 2001.

### 33 Board approval

The Board of Directors approved the financial statements on 3rd March 2003.