
IFRS Impact

Myles Lee
Finance Director

IFRS Transition - Overview

- Standards of particular relevance to CRH:
 - Transition to IFRS (IFRS 1)
 - Share-based Payments (IFRS 2)
 - Business Combinations (IFRS 3)
 - Deferred Taxation (IAS 12)
 - Segmental Reporting (IAS 14)
 - Employee Benefits (IAS 19)
 - Joint Ventures (IAS 31)
 - Intangible Assets (IAS 38)
 - Financial Instruments (IAS 32 and IAS 39)
- Other standards and pronouncements of lesser relevance to CRH
- Certain of above standards provide transition options for first-time IFRS adopters

IFRS Transition - Status of Key Options for CRH

- IFRS 1 transition options selected by CRH
 - No restatement of business combinations prior to 1 January 2004
 - Previous fixed asset revaluations will be regarded as deemed cost
 - Cumulative actuarial gains and losses for DB schemes will be recognised in full
 - Cumulative currency translation differences will be set at zero
 - Group financial history summary prior to 2004 will not be restated for IFRS
- Most listed companies are availing of these options to ease transition burden

IFRS Transition - Status of Key Options for CRH

- Other transition options more complex with clear consensus still developing
- CRH views well advanced
- IFRS 2: will be implemented in respect of share option grants post 7 November 2002
- IAS 19: likely immediate recognition of post transition date actuarial gains and losses
 - Akin to FRS 17
- IAS 31: likely proportionate consolidation of joint ventures rather than equity accounting
 - No net impact on EPS
- IAS 39: CRH intends to implement IAS 39 with effect from 1 January 2004 given existing compliance with SFAS 133 under US GAAP

IFRS Transition - Key Impacts on Income Statement

Increases in net income

- Cessation of goodwill amortisation from 1 January 2004 (transition date)

Decreases in net income

- Amortisation of any intangible assets on business combinations post transition date
- Pension expense will mirror FRS 17 disclosures in recent Annual Reports
- Share-based payments expense stated at fair value using a binomial model

Increases/decreases in net income

- Any IAS 39 financial hedge ineffectiveness will result in a charge/credit in interest

IFRS Transition - Key Impacts on Balance Sheet

- IAS 12: deferred taxation:
 - Grossing-up of deferred tax assets and liabilities currently shown net
 - Knock-on effects of implementing other standards (financial instruments, share-based payments, DB pension schemes, intangible assets etc.)
- IAS 19: employee benefits:
 - Net surplus/deficit of DB schemes recognised on face of balance sheet
 - Ongoing fluctuations due to immediate recognition of actuarial gains and losses
- IAS 31: joint ventures:
 - Proportionate consolidation would impact all balance sheet captions on line-by-line basis
- IAS 38: recognition of intangible assets on acquisition
- IAS 39: financial instruments:
 - CRH only uses interest rate and currency swaps and forward exchange contracts to manage interest rate risks and to achieve the desired currency profile of borrowings
 - All such financial instruments initially recorded at fair value
 - Subsequently valued at amortised cost/fair value dependent on classification

IFRS Transition - Summary

- CRH IFRS transition process well underway
- Transition eased to an extent by US GAAP SEC 20-F filing since 1988
- Plan orderly mid-2005 communication process of H1/Full Year 2004 IFRS numbers
- Results announcements/presentations for 2005 and subsequent years will focus on the following six operational segments

