# CRH FUNDING B.V.

DIRECTOR'S REPORT
AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
31 DECEMBER 2018

Registered with the Chamber of Commerce in The Netherlands under number: 57502536

*CONTENTS*

# 1 DIRECTOR'S REPORT

## 1.1 General

The principal business activities of CRH Funding B.V. ("the Company") consist of the supply or to procure the supply of finance to affiliated companies, as well as to draw or to procure the drawing of funding. The Company is a wholly owned subsidiary of CRH Nederland B.V., registered in Rijswijk ZH, The Netherlands and has its business office at Einsteinlaan 26, Rijswijk ZH, The Netherlands. The ultimate parent company is CRH plc, registered in 42 Fitzwilliam Square, Dublin 2, Ireland. CRH Funding B.V. is included in the consolidated financial statements of CRH plc. These latter financial statements can be obtained in the registered office of CRH plc in Ireland. The Company has been incorporated on March 19, 2013.

## 1.2 2018 Results

The Company participates as an "Issuer" in the CRH Euro Medium Term Note Program ("EMTN Program") guaranteed by a corporate guarantee by CRH plc. During 2015 the Company issued a note of € 600 million.

The result for the year is a profit of approximately € 370.000. This profit is mainly driven by the interest income earned on intercompany deposits, reduced by the interest expenses re the bond loan and guarantee fees.

## 1.3 Outlook for 2019 and beyond

The Company may issue notes under the EMTN Program. The Company may also enter into syndicate loan facilities guaranteed by CRH plc. The Company may lend or make equity contributions to other members of the CRH plc group of companies (the "CRH Group").

## 1.4 Statement of Director's Responsibilities

Company law in the Netherlands requires the Directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements of the Company, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent, and
- Comply with Title 9 of book 2 Dutch Civil Code, and
- Comply with applicable International Financial Reporting Standards as adopted by the European Union ("EU-IFRS"), subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements of the Company are prepared in accordance with applicable International Financial Reporting Standards as adopted by the European Union. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## 1.5 Personnel

During the financial period the company had no personnel employed (no personnel employed in 2017).

## 1.6 Risk management

The Board of Directors refers to note "Capital and Financial Risk Management" as included in the financial statements for a report on Company's risk management.

To the best of the CRH Funding B.V. Board of Director's knowledge the financial statements give a true and fair view of the assets, liabilities, financial position and profit and loss for the financial period and the Director's report gives a true and fair view of the situation at the balance sheet date and the development of the business during the financial period of the Company.

Amsterdam, 7 May 2019

On behalf of CRH Nederland B.V.

-
CRH International B.V.
Managing Director
R.G.M. Pillen
Managing Director

-
CRH International B.V.
Managing Director
E.H.O.M. Bouwman
Managing Director

# FINANCIAL STATEMENTS

# 2 FINANCIAL STATEMENTS

## 2.1 Income Statement

| for the financial year ended 31 December 2018 | Notes | 2018 | 2017 |
|---|---|---|---|
| | | €'000 | €'000 |
| Interest income | | 16.380 | 16.366 |
| Interest expenses | | (15.866) | (15.860) |
| **Net interest income (expense)** | | **514** | **506** |
| Operating costs | 2.8.1 | (20) | (26) |
| **Operating result** | | **(20)** | **(26)** |
| **Result before tax** | | **494** | **480** |
| Income tax expense | 2.8.4 | (124) | (120) |
| **Result for the financial year** | | **370** | **360** |

## 2.2 Statement of Comprehensive Income

| for the financial year ended 31 December 2018 | 2018 | 2017 |
|---|---|---|
| | €'000 | €'000 |
| **Result for the financial year** | **370** | **360** |
| **Other comprehensive income for the year** | - | - |
| **Total comprehensive income for the financial year** | **370** | **360** |
| Attributable to: | | |
| **Equity holders of the Company** | **370** | **360** |

* The accompanying notes form an integral part of the financial statements.

## 2.3 Statement of Cash flows

| for the financial year ended 31 December 2018 | Notes | 2018 | 2017 |
|---|---|---|---|
| | | €'000 | €'000 |
| **Cash flows from operating activities** | | | |
| Result before tax | | 494 | 480 |
| Net movement on working capital | | (2.083) | (17.157) |
| Corporation tax received/(paid) | 2.8.4 | (120) | 152 |
| Interest received/(paid) to related parties | 2.9 | 454 | 16.645 |
| **Net cash flows from operating activities** | | **(1.255)** | **120** |
| **Cash flows from investing activities** | | | |
| Granted interest bearing loans | 2.8.5 | - | (3.000) |
| **Net cash flows from investing activities** | | **-** | **(3.000)** |
| **Cash flows from financing activities** | | | |
| Share premium | 2.8.8 | - | - |
| Received borrowings | | - | 12.496 |
| **Net cash flows from financing activities** | | **-** | **12.496** |
| **Movement in cash and cash equivalents** | | **(1.255)** | **9.616** |
| **Reconciliation of opening to closing cash and cash equivalents** | | | |
| Cash and cash equivalents at the beginning of the year | | 9.616 | - |
| Movement in cash and cash equivalents | | (1.255) | 9.616 |
| **Cash and cash equivalents at the end of the year** | 2.8.7 | **8.361** | **9.616** |

* The accompanying notes form an integral part of the financial statements.

## 2.4 Financial Position

| for the financial year ended 31 December 2018 | Notes | 2018 €'000 | 2017 €'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Interest-bearing loans to related parties | 2.8.5 | 597.000 | 597.000 |
| **Total non-current assets** | | **597.000** | **597.000** |
| **Current assets** | | | |
| Current receivables | 2.8.6 | 7.314 | 1.069 |
| Cash and cash equivalents | 2.8.7 | 8.361 | 9.616 |
| **Total current assets** | | **15.675** | **10.685** |
| **TOTAL ASSETS** | | **612.675** | **607.685** |
| **EQUITY** | | | |
| Equity share capital | 2.8.8 | 10 | 10 |
| Sharepremium | 2.8.8 | 70 | 70 |
| Retained income | | 790 | 430 |
| Result for the year | | 370 | 360 |
| **Shareholders' equity** | | **1.240** | **870** |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Interest-bearing loans and borrowings | 2.8.9 | 596.410 | 595.696 |
| **Total non-current liabilities** | | **596.410** | **595.696** |
| **Current liabilities** | | | |
| Interest on interest-bearing loans and borrowings | 2.8.9 | 10.971 | 10.971 |
| Other payables | 2.8.10 | 4.054 | 148 |
| **Total current liabilities** | | **15.025** | **11.119** |
| **Total liabilities** | | **611.435** | **606.815** |
| **TOTAL EQUITY AND LIABILITIES** | | **612.675** | **607.685** |

* The accompanying notes form an integral part of the financial statements.



MAZARS
Mazars Accountants N.V.
Initialled for
identification purposes only
CvO | 07-05-2019

## 2.5 Statement of Changes in Equity

for the financial year ended 31 December 2018

| | Share capital €'000 | Sharepremium €'000 | Retained income €'000 | Result for the year €'000 | Total €'000 |
|---|---|---|---|---|---|
| Balance at 31 December 2016 | 10 | 70 | (26) | 456 | 510 |
| Appropriation result prior year | - | - | 456 | (456) | - |
| Result for the financial year | - | - | - | 360 | 360 |
| **Balance at 31 December 2017** | **10** | **70** | **430** | **360** | **870** |
| Appropriation result prior year | - | - | 360 | (360) | - |
| Result for the financial year | - | - | | 370 | 370 |
| **Balance at 31 December 2018** | **10** | **70** | **790** | **370** | **1.240** |



MAZARS
Mazars Accountants N.V.
Initialled for
identification purposes only
CvO | 07-05-2019

# NOTES TO THE FINANCIAL STATEMENTS

## 2.6 General

The principal business activities of CRH Funding B.V. ("the Company") consists of the supply or to procure the supply of finance to affiliated companies, as well as to draw or to procure the drawing of funding. The Company is a wholly owned subsidiary of CRH Nederland B.V., registered in Rijswijk ZH, The Netherlands and has its business office at Einsteinlaan 26, Rijswijk ZH, The Netherlands. The ultimate parent company is CRH plc, registered in 42 Fitzwilliam Square, Dublin 2, Ireland. CRH Funding B.V. is included in the consolidated financial statements of CRH plc. These latter financial statements can be obtained in the registered office of CRH plc in Ireland.

## 2.7 Accounting Policies

### *Statement of compliance*

The financial statements of the Company have been prepared in accordance with Title 9 of book 2 of the Dutch Civil Code and International Financial Reporting Standards (IFRS) as adopted by the European Union (in accordance with Article 362 clause 8, Title 9 of Book 2 of the Dutch Civil Code), which comprise standards and interpretations approved by the International Accounting Standards Board (IASB).

The financial statements were authorized for issue by the Board of Directors on 7 May 2019.

### *Going concern*

These financial statements have been prepared on a going concern basis as the intent of the parent company is to provide financial support. All loans and borrowings are guaranteed by CRH plc. and therefore the company also has access to sufficient liquidity.

### *Basis of preparation*

The Financial Statements, which are presented in euro thousands, have been prepared under the historical cost convention as modified by the measurement at fair value of certain financial assets and liabilities including derivative financial instruments.

### *Recognition and derecognition*

An asset is recognized in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. A liability is recognized in the balance sheet when it is expected to result in an outflow from the entity of resources embodying economic benefits and the amount of the obligation can be measured with sufficient reliability. If a transaction results in a transfer of future economic benefits and or when all risks relating to assets or liabilities transfer to a third party, the asset or liability is no longer included in the balance sheet.

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

The company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

### *Fair value measurements*

Fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2: valuation techniques for which the lowest level of inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and Level 3: valuation techniques for which the lowest level of inputs that have a significant effect on the recorded fair value are not based on observable market data.

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements.

### *Adoption of IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations*

The adoption of the following mentioned standards, amendments and interpretations in the current year have not had a material impact on the Company's financial statements.

| | **EU effective date periods beginning on or after** |
|---|---|
| Annual Improvements to IFRSs (2014 - 2016) - Deletion of short-term exemptions for first-time adopters | 1 January 2018 |
| Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions | 1 January 2018 |
| Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts | 1 January 2018 |
| IFRS 9 Financial Instruments (Issued in July 2014) | 1 January 2018 |
| IFRS 15 Revenue from Contracts with Customers | 1 January 2018 |
| Annual Improvements to IFRSs (2014 - 2016) - IAS 28 Measuring an associate or joint venture at fair value | 1 January 2018 |
| Amendments to IAS 40: Transfers of Investment Property | 1 January 2018 |
| IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration | 1 January 2018 |

Standards, amendments and interpretations in issue but not yet effective:

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

| | **EU effective date periods beginning on or after** |
|---|---|
| Annual Improvements to IFRS (2015 - 2017) - IFRS 11 Previosuly held interest in a joint operation | 1 January 2019 |
| Amendments to IFRS 9: Prepayment Features with Negative Compensation (issued on 12 October 2017) | 1 January 2019 |
| IFRS 16 Leases | 1 January 2019 |
| Annual Improvements to IFRS (2015 - 2017) - IAS 12 Income Tax consequences of payments on financial instruments calssified as equity | 1 January 2019 |
| Annual Improvements to IFRS (2015 - 2017) - IAS 23 Borrowing costs eligible for capitalisation | 1 January 2019 |
| Amendments to IAS 28: Long-term interests in Associated and Joint Ventures | 1 January 2019 |
| IFRIC 23 Uncertainty over Income Tax Treatments (issued on 7 June 2017) | 1 January 2019 |
| IFRS 17 Insurance Contracts | Expected to be effective after 1 January 2021 |

- IFRS 15 Revenue from Contracts with Customers will replace IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The new standard is applicable from 1 January 2018 and has been endorsed by the EU. IFRS 15 provides a new five step model to be applied to revenue arising from contracts with customers. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue and may impact the timing and amount of revenue recognized from contracts with customers.
  IFRS 15 is not applicable for the Company, as there are no Revenues from Contracts with Customers.

### *Key Accounting Policies which involve Estimates, Assumptions and Judgments*

The preparation of the Financial Statements in accordance with IFRS requires management to make certain estimates, assumptions and judgments that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses at the end of the reporting period. Management believes that the estimates, assumptions and judgments upon which it relies are reasonable based on the information available to it at the time that those estimates, assumptions and judgments are made. In some cases, the accounting treatment of a particular transaction is specifically dictated by IFRS and does not require management's judgment in its application.

Management consider that their use of estimates, assumptions and judgments in the application of the Company's accounting policies are inter-related and therefore discuss them together below. The critical accounting policies which involve significant estimates or assumptions or judgments, the actual outcome of which could have a material impact on the Company's results and financial position outlined below are as follows:

### *Taxation - current and deferred*

Current tax represents the expected tax payable (or recoverable) on the taxable profit for the period using tax rates enacted for the period. Any interest or penalties arising are included within current tax. Where items are accounted for outside of the income statement, the related income tax is recognized either in other comprehensive income or directly in equity as appropriate.

Deferred tax is recognized using the liability method on temporary differences arising at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. No provision has been made for temporary differences as the Company is not in a position to control the timing of reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

### *Taxation - current and deferred (continued)*

Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred tax assets and liabilities are not subject to discounting.

Deferred tax assets are recognized in respect of all deductible temporary differences, 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 the temporary differences can be utilized. 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 utilized.

The Company's income tax is based on reported results and expected statutory tax rates, which reflect various allowances and reliefs and tax planning opportunities available to the Company in the tax jurisdiction in which it operates. The determination of the Company's provision for income tax requires certain judgments and estimates in relation to matters where the ultimate tax outcome may not be certain. The recognition or non-recognition of deferred tax assets as appropriate also requires judgment as it involves an assessment of the future recoverability of those assets. In addition, the Company is subject to tax audits which can involve complex issues that could require extended periods for resolution. Although management believes that the estimates included in the Financial Statements and its tax return positions are reasonable, no assurance can be given that the final outcome of these matters will not be different than that which is reflected in the Company's historical income tax provisions and accruals. Any such differences could have a material impact on the income tax provision and profit for the period in which such a determination is made.

### *Financial assets (Interest-bearing loans to related parties)*

Interest-bearing loans to related parties, which are classified as financial assets measured at amortised cost, are initially recognized at the fair value of the consideration given plus any directly attributable transaction costs. Where equity investments are actively traded in organized 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. Unquoted equity investments are recorded at historical cost and are included within financial assets in the Financial Position given that it is impracticable to determine fair value. Where non-derivative financial assets meet the definition of "financial assets measured at amortised cost", such balances are, following initial recognition, recorded at amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognized in the Income Statement when the financial assets are derecognized or impaired as well as through the amortization process.

### *Impairment (Interest-bearing loans to related parties)*

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are reecognised.

No Impairment losses are recognised on equity investments.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured at 12-month ECL:

- debt investment securities that are determined to have low risk at the reporting date; and
- other financial instuments on which credit risk has not increased significantly since their initial recognition.

The Company considers a debt investment security to have low risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Company does not apply the low credit risk exemption to any other financial instruments. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 2 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'. Life-time ECL are ECL that result from all possible default events over the expected life od the financialinstrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

The company generally assumes creditworthiness is impaired if a receivable is more than 90 days overdue.

There are no other IFRS or IFRIC interpretations that are effective subsequent to the financial period-end that would have a material impact on the Company.

### *First-time application of IFRS 9*

Financial asset classifications under IFRS 9 as per 01.01.2018:

| Financial asset category | Classification and measurement under IAS 39 | Classification and measurement under IFRS 9 | Classification test outcome |
|---|---|---|---|
| Other financial assets (Interest bearing loans to related parties)<br>Other receivables (Current receivables)<br>Trade receivables | Loans and receivables at fair value (initial recognition) followed by amortised cost (sebsequent measurement). | Financial assets at fair value (initial recognition) followed by amortised cost net impairment (subsequent measurement). | Business model test result: hold to collet contractual cash flows.; Cash flow characteristics test result: solely payments of principal and interest. |

The impact of various changes arising in conjunction with the first-time application of IFRS 9 is explained below:

a) a new requirement for the classification and measurement of financial assets and financial liabilities result in no changes for CRH Funding B.V.

b) the new IFRS 9 requirement for impairment allowances resulted in no adjustment to allowances and no impact on the expected credit losses.

No figures are illustrated above as the new measurement did not impact the carrying amount or opening balance of any financial asset.

*Offsetting of financial assets and financial liabilities*

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

*Other receivables*

Other receivables are financial assets measured at amortised cost which comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Impairment provision for trade receivables are recognised based on the simplified approach within IFRS 9 using the lifetime expected credit losses. During this process the probability of non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a seperate provision account with the loss baing recognised within cost of sales in the statement of comprehensive income. On confirmation that the trade receivables will not be collectable, the gross carrying value of the asset is written off against the associated provision.

*Cash and cash equivalents*

Cash and cash equivalents comprise cash balances held for the purpose 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 change in value. Bank overdrafts are included within current interest-bearing loans and borrowings in the Statement of Financial Position. Where the overdrafts are repayable on demand and form an integral part of cash management, they are netted against cash and cash equivalents for the purposes of the Statement of Cash Flows.

*Interest-bearing loans and borrowings*

Interest-bearing loans and borrowings are classified as financial liabilities measured at amortized cost. All loans and borrowings are initially recorded at the fair value of the consideration received net of directly attributable transaction costs. Subsequent to initial recognition, current and non-current interest-bearing loans and borrowings are, in general, measured at amortized cost employing the effective interest methodology. Fixed rate term loans are measured at amortized cost adjusted for changes in value attributable to the hedged risks arising from changes in underlying market interest rates. The computation of amortized cost includes any issue costs and any discount or premium materializing on settlement. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Gains and losses are recognized in the Income Statement through amortization on the basis of the maturity of the loans and borrowings.

*Foreign currency translation*

The Financial Statements are presented in euro, which is the functional and presentation 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.

The foreign exchange reference rates according to the European Central Bank (ECB) are used for the translation of results, cash flows and balance sheets into euro.

*Recognition of income and expenses*

Interest income and expense are determined on the basis of interest earned and charged over the relating periods, according to the accrual method of accounting. Other revenues and expenses are recorded in the period to which they relate.

*Statement of cash flows*

The cash flows from operating activities are prepared using the indirect method. Interest paid and received is presented as part of operating cash flows.

## 2.8 Notes on the Income Statement and Financial Position

### 2.8.1 Operating Costs and auditor's remuneration

| | 2018 | 2017 |
|---|---|---|
| | €'000 | €'000 |
| Audit fees Mazars (no other services are provided by Mazars) | (15) | (26) |
| Other | (5) | - |
| Total operating costs | (20) | (26) |

### 2.8.2 Personnel

During the financial period and previous year, the company had no personnel employed. In the income statement, no costs have been taken up in regards to wages, salaries and pensions.

### 2.8.3 Director's remuneration

CRH Nederland B.V. is the only board member of the company. CRH Nederland B.V. does not receive any (deferred) com[illegible]on benefit for its board membership.

### 2.8.4 Income tax

By resolution dated April 19, 2013 the Company is, effectively as from March 19, 2013, member of a Dutch fiscal unity for Corporate Income Tax headed by CRH International B.V.; the standard conditions stipulate that each of the companies is liable for the Income Tax payable by all companies belonging to the fiscal unity.
A tax gain for the year of € 124.000 (previous year: € 120.000 gain) is recognized in the income statement.

| | 2018 | 2017 |
|---|---|---|
| | €'000 | €'000 |
| Current tax expense | (124) | (120) |
| Deferred tax expense (reversal of temporary differences) | - | - |
| Tax expense for the year | (124) | (120) |

Reconciliation of applicable tax rate to effective tax rate:

| | 2018 | 2017 |
|---|---|---|
| Result (loss) before tax | 494 | 484 |
| Corporate income tax expressed as a % of result before tax (effective tax rate): | | |
| - current income tax only | 25,0% | 25,0% |
| - deferred tax | 0,0% | 0,0% |
| - total income tax (current and deferred) | 25,0% | 25,0% |

The following table reconciles the applicable Dutch statutory tax rate to the effective tax rate (current and deferred)

| | 2018 | 2017 |
|---|---|---|
| Dutch corporation tax rate | 25,0% | 25,0% |
| Other items (items not chargeable to tax/expenses not deductible for tax) | 0,0% | 0,0% |
| Total effective tax rate | **25,0%** | **25,0%** |

### 2.8.5 Interest-bearing loans to related parties

**Non-current assets**

| | 2018 | 2017 |
|---|---|---|
| | €'000 | €'000 |
| Loans to related parties | 597.000 | 597.000 |
| | 597.000 | 597.000 |

Interest-bearing loans to related parties are measured at amortised cost.

The following loans are provided to CRH Nederland B.V.:

- € 165.000.000 loan at 2,75% (effective 2,78%) interest per annum; repayment ultimately on the 3rd of December 2020; no repayments have occurred in 2017; no securities are provided.
- € 35.004.246 loan at 2,00% (effective 2,02%) interest per annum; repayment ultimately on the 3rd of December 2020; in 2017 an amount of € 12.495.755 have been repaid on the loan and an additional loan of € 3.000.000 is issued against the same conditions;

The following loans are provided to CRH Europe Investments B.V.:

- € 15.856.965 loan at 2,75% (effective 2,78%) interest per annum; repayment ultimately on the 3rd of December 2020; no repayments have occurred in 2017; no securities are provided
- € 381.138.791 loan at 2,75% (effective 2,78%) interest per annum; repayment ultimately on the 3rd of December 2020; no repayments have occurred in 2017; no securities are provided

### 2.8.6 Current receivables

**Current assets**

| | 2018 | 2017 |
|---|---|---|
| (for further details see also paragraph 2.9) | €'000 | €'000 |
| Current account | 6.295 | - |
| Interest receivable from related parties | 1.239 | 1.299 |
| VAT receivable | 5 | - |
| Costs to be paid to related parties | (225) | (230) |
| | 1.019 | 1.069 |

Financial instruments not measured at fair value includes current receivables. Due to their short-term nature, the carrying value of current receivables approximates their fair value.

### 2.8.7 Cash and Cash Equivalents

Cash and cash equivalent balances are spread across a number of highly-rated financial institutions. Cash and cash equivalents are included in the Statement of Financial Position at amortised cost and are analysed as follow:

| | 2018 | 2017 |
|---|---|---|
| | €'000 | €'000 |
| Cash at bank and in hand | 8.361 | 9.616 |
| Total | 14.656 | 9.616 |

Cash at bank earns interest at floating rates based on daily deposit bank rates. The fair values of cash and cash equivalents are based on their carrying amounts, which constitute a reasonable approximation of fair value.

### 2.8.8 Shareholder's Equity

Share capital

With reference to Article 4 and the clauses included at the end of the deed of incorporation of the Company, it was stated that the authorised share capital of the Company consists of 10 shares of € 1.000,00 each. The issued shares comprise 10 shares, which has been fully paid.

Share premium

The share premium amounts to EUR 70.000,00. In April 2015 the shareholder CRH Nederland B.V. made a share premium contribution of EUR 20.000,00. In September 2015 the shareholder CRH Nederland B.V. made a share premium contribution of EUR 50.000,00.

### 2.8.9 Interest–bearing loans and borrowings

| **Non-current liabilities** | 2018 | 2017 |
|---|---|---|
| | €'000 | €'000 |
| Bonds and private placements (including non-current upfront fees) | 596.410 | 595.696 |
| | 596.410 | 595.696 |

Upfront fees are expensed in the Income Statement through amortization on the basis of the maturity of the loans and borrowings.

Bonds and private placements:

The bond and private placement of € 600 million is a Euro bond at an annual coupon rate of 1.875% (effective 2.003%) and has its final maturity in 2024.

| **Current liabilities** | 2018 | 2017 |
|---|---|---|
| | €'000 | €'000 |
| Interest on bonds and private placements | 10.971 | 10.971 |
| | 10.971 | 10.971 |

**Movement in current and non-current liabilities**

| | €'000 |
|---|---|
| At 1 January 2017 | - |
| Received | 607.156 |
| Imputed paid issuing expenses | 715 |
| Interest paid | (12.420) |
| Interest to be paid | 11.216 |
| At 31 December 2017 | 606.667 |
| Imputed paid issuing expenses | 715 |
| Interest paid | (11.250) |
| Interest to be paid | 11.250 |
| At 31 December 2018 | 607.381 |

### 2.8.9 Interest–bearing loans and borrowings (continued)

***Maturity profile of undrawn committed guarantees***

| | 2018 | 2017 |
|---|---|---|
| | €'000 | €'000 |
| Undrawn committed facilities: | | |
| Within one year | - | - |
| Between one and two years | 2.837.200 | - |
| Between two and three years | - | 2.837.200 |
| Between three and four years | - | |
| Between four and five years | - | - |
| After five years | - | - |
| Total | 2.837.200 | 2.837.200 |

Facilities:

The lending banks have received letters of guarantee from CRH plc to secure obligations in respect of the committed facilities. In December 2013, July and September 2014 the Company, along with other CRH plc group companies entered into three Multicurrency revolving facility agreements. These committed facilities, guaranteed by CRH plc remained undrawn by the Company at 31 December 2018.

In addition to the above amount, in June 2015 the Company decided, along with other CRH plc group companies, to participate into two Multicurrency Revolving Credit Facility agreements and one uncommitted overdraft credit facility guaranteed by CRH plc.

Lender covenants:

The committed facilities require CRH plc to maintain certain financial covenants. Non-compliance with financial covenants would give the relevant lenders the right to terminate these facilities and demand early repayment of any sums drawn thereunder thus altering the maturity profile of the Company's undrawn committed facilities. Calculations for financial covenants are completed for twelve-month periods half-yearly on 30 June and 31 December. CRH plc was in full compliance with its financial covenants throughout each of the periods presented. CRH plc is not aware of any stated events of default as defined in the agreements.

### 2.8.10 Other payables

| **Current liabilities** | 2018 | 2017 |
|---|---|---|
| | €'000 | €'000 |
| Current payables to related parties | 3.900 | - |
| Other payables | 154 | 148 |
| | 4.054 | 148 |

Financial instruments not measured at fair value includes other payables. Due to their short-term nature, the carrying value of current receivables approximates their fair value.

**Movement current liabilities**

| | Current payables to related parties 2018 | Other payables 2018 | Total 2018 |
|---|---|---|---|
| | €'000 | €'000 | €'000 |
| At 1 January 2018 | - | 148 | 148 |
| Paid in 2018 | | (148) | (148) |
| Accrued in 2018 | 3.900 | 154 | 4.054 |
| At 31 December 2018 | 3.900 | 154 | 4.054 |

### 2.8.11 Capital and Financial Risk Management

**Capital management**

The company considers net equity as capital. The company's policy is to maintain its capital as minimum capital. The Company is not subjected to externally imposed capital requirements.

***Overall summary / risk appetite***

The primary objective of the Company's capital management strategy is to ensure that the Company maintains an effective financial standing to be able to perform its principal business activities by organising CRH plc corporate guarantees around the debt balance and the Company only provides funding to related parties.
The capital structure of the Company, which comprises capital and reserves attributable to the Company's equity holders, may be summarized as follows:

| | 2018 | 2017 |
|---|---|---|
| | €'000 | €'000 |
| Capital and reserves attributable to the Company's equity holders | 1.240 | 870 |
| Capital | 1.240 | 870 |

No changes were made to in the objectives or policies during 2018.

**Financial risk management objectives and policies**

The Company uses financial instruments: interest-bearing loans and borrowings, cash and cash equivalents are used to perform its principal business activities. The Company does not trade in financial instruments nor does it enter into any leveraged derivative transactions.
The corporate treasury function of CRH Group provides services to the Company, co-ordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Company. In this respect risk management is being performed by CRH plc.

The main risks relating to the Company's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Board reviews and agrees policies for the prudent management of each of these risks as documented below.

***Credit/counterparty risk***

Third-party (non CRH Group) credit risk is managed by the CRH plc corporate treasury function 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. Acceptable credit ratings are high investment-grade ratings - generally counterparties have ratings of A3/A or higher from Moody's/Standard & Poor's ratings agencies. Concentration risk is high as the interest-bearing loans are with 2 related parties inside the the Group. The maximum exposure arising in the event of default on the part of the counterparty (including solvency) is the carrying value of the financial instruments at the reporting date as follows:

| | 2018 | 2017 |
|---|---|---|
| | €'000 | €'000 |
| Interest bearing loans to related parties | 598.014 | 598.069 |
| Non-interest bearing receivable loan | 6.295 | - |
| Total credit risk | 604.309 | 598.069 |

In its worldwide insurance program the CRH plc. group carries appropirate levels of insurance for typical business risk with various leading insurance companies. However, in the event of the failure of one or more of its insurance counterparties, the Group could be impacted by losses where recovery for such counterparties is not possible.
When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Comapny considers reasonable ans supportable informationthat is relevant available without undue cost of effort. This includes both quantitative and qualitative information and anlysis, based on the Company's historical experience, credit assessment and forward-looking information.
The Company uses three criteria for determining whether there has been a significant increase in credit risk, namely, quantitative test based on movement in PD; qualitative indicators; and a backstop of 30 days past due.

Amounts arising from Expected Credit Losses (ECL):

Management applies the simplified approach to providing for expected credit losses (ECL) permitted by IFRS 9 *Financial Instruments*, which requires expected lifetime losses to be recognised from initial recognition of the receivable.
Loans to related parties relate to bonded goverment contracts and receivables which fall under credit insurance are considered low risk and would not attract a material ECL. Given the positive economic outlook (e.g. forecast Gross Domestic Product) for the next 12 months in the economy in which we operate we consider that our ECL adequetely represents the risk default on the Loans to related parties.
The credit risk associated with interest bearing loans to related parties is considered to be limited since the related parties are all ultimately part of the CRH Group and therefore no loss allowance has been included at balance sheet date.
Risk is mitigated under an agreement that CRH Plc guarantees CRH Funding B.V. payment obligations under the Notes issued by CRH Funding B.V.

Imputs, assumptions and techniques used for estimating impairment:

*Determining whether credit risk has increased significantly*
Management has considered whether there has been an actual or expected significant change in the operating results of the borrower since the loan was first recognized. This included considering whether there were any actual or expected declining revenues or margins, increasing operating risk, decreasing balance sheet leverage, liquidity that would result in a significant change in the borrower's ability to meet its debt obligations. It was therefore concluded that there was no such actual or expected significant change in the operating results of the borrower.
Management has determined that there has not been a significant increase in credit risk since initial recognition. Hence, the intercompany loan is in "stage 1" and 12-month expected credit losses should be calculated for the loan.

*Probability of default*
For the determination of the probability of default, management has used the DRSK model as retreived from the Bloomberg platform applicable to CRH plc. When applying the probability of default to the Exposure of Default, it results in an immaterial ECL, and therefore no loss allowance has been recognized at the balance sheet date.

## 2.8.11 Capital and Financial Risk Management (continued)

### *Liquidity risk*

The principal liquidity risk faced by the company stems from maturation of debt obligations. A downgrade of CRH's credit rating may give rise to increases in funding costs in respect of future debt and may impair he comapany's ability to raise funds to accepted terms. The CRH Plc corporate treasury function ensures sufficient resources are available to meet such liabilites as they fall due through a combination of cash and cash equivalents, sah flows and undrwan committed bank facilities. Flexibility of funding resources is achieved through a variety of means (i) maintaining cash and cahs equivalents only with a diverse group of highly-rated counterparties; (ii) limiting the annual maturity of such balances; (iii) borrowing the bulk of the Group's debt requirements under commited bank lines or other term financing; and (iv) having surplus commited lines of credit.

The undrawn committed facilities available to the Company as at the balance sheet date are quantified in note 2.8.9 "Interest – bearing loans and borrowings"; these facilities are available from highly-rated financial institutions thus minimizing any potential exposure arising from concentrations in borrowing sources. Liquidity risk is deemed to be not significant.

The following are the contractual (undiscounted) maturities of financial assets and liabilities, including estimated interest payments:

| | Carrying amount | 2018 Within 1 year | 2019 Between 1 and 2 years | > 2020 After 2 years | Total cash flows |
|---|---|---|---|---|---|
| At 31 December 2018 | €'000 | €'000 | €'000 | €'000 | €'000 |
| Interest bearing loans to related parties | 597.000 | 16.366 | 16.366 | 647.462 | 680.194 |
| Current assets | 1.019 | 1.019 | - | - | 1.019 |
| Total received | **598.019** | **17.385** | **16.366** | **647.462** | **681.213** |
| Bonds and private placements | (596.410) | - | (10.971) | (630.237) | (641.208) |
| Current liabilities | (10.971) | (10.971) | - | - | (10.971) |
| Current payables to related parties | (3.900) | (3.900) | - | - | (3.900) |
| Other payables | (154) | (154) | - | - | (154) |
| Total paid | **(611.435)** | **(15.025)** | **(10.971)** | **(630.237)** | **(656.233)** |
| Nett movement cash | | **2.360** | **5.395** | **17.225** | **24.980** |

### *Interest rate & Market risk*

The Company's exposure to market risk for changes in interest rates stems from its long-term debt obligations. Net interest rate risk is managed by using fixed rates for loans and borrowings.

### *Foreign currency risk*

Foreign currency risk is deemed to be insignificant, as all activities of the company are in Euro's.

## 2.8.12 Financial instruments

| The financial instruments of the Company may be summarized as follows: | **2018** | **2017** |
|---|---|---|
| | €'000 | €'000 |
| Financial assets *(Financial assets at amortised cost):* | | |
| Non-current interest bearing loans to related parties** | 597.000 | 597.000 |
| Current interest bearing loans to related parties** | 1.014 | 1.069 |
| Current receivables | 7.314 | 1.069 |
| Cash and cash equivalents | 8.361 | 9.616 |
| Financial liabilities (*Financial liabilities at amortised cost*): | | |
| Non-current interest-bearing loans and borrowings * | (596.410) | (595.696) |
| Current interest-bearing loans and borrowings * | (10.971) | (10.971) |
| Other payables | (4.054) | (148) |
| Total financial instruments | 2.254 | 1.939 |

*) The fair value of the interest-bearing loans and borrowings are based on the market values for notes issued and, as such, is estimated at 104,09% (level 1).

**) The new measurement category in respect of Interest-bearing loans to related parties, namely IFRS 9 *Financial asse[illegible]ised cost* (previously IAS 39 *Loans and receivables*), did not impact the measurement, carrying amount or opening balance of financial assets.

It is deemed that the carrying amounts of all other financial assets and liabilities measured at amortised cost are reasona[illegible] values.



MAZARS
Mazars Accountants N.V.
Initialled for
identification purposes only
CvO | 07-05-2019

## 2.9 Related parties

The Company has a related party relationship with its parent company and the companies owned by the parent companies (Group companies). The transactions with related parties have been negotiated on an arm's-length basis.

List of related parties:

| Company | Nature of the transactions | Reference |
|---|---|---|
| CRH Nederland B.V. | CRH Funding B.V. provides loans to CRH Nederland B.V. | 2.8.5 / 2.8.6 |
| CRH Europe Investments B.V. | CRH Funding B.V. Provides loans to CRH Europe Investments B.V. | 2.8.5 / 2.8.6 |
| CRH plc | CRH Plc guarantees CRH Funding B.V. payment obligations under the Notes issued by CRH Funding B.V. | (€ 3,9 million; 2017 € 3,9 million) income statement, part of interest expenses |
| CRH International B.V. | CRH Funding B.V. participates in a fiscal unity with CRH International B.V. | 2.8.4 |

**Current and non-current assets to related parties**

| | Guarantee fee payable | Loans to related parties | Interest to related parties | Income tax receivable on / (payable) to related parties | Costs to be paid to related parties | Current account |
|---|---|---|---|---|---|---|
| | **2018** | **2018** | **2018** | **2018** | **2018** | **2018** |
| | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 |
| At 1 January 2018 | 3.900 | 597.000 | 1.299 | (120) | (230) | - |
| Paid | - | - | - | 120 | - | - |
| Accrued | - | - | 16.380 | (124) | 5 | - |
| Received | - | - | (454) | - | - | 6.295 |
| At 31 December 2018 | 3.900 | 597.000 | 17.225 | (124) | (225) | 6.295 |

## 2.10 Segmental reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses whose operating results are regularly reviewed by the entity's operating decision maker and for which discrete financial information is available. The Company's Director has been identified as the chief operating decision maker for the purpose of segmental reporting. The Company has determined that it operates in one segment, providing loans to related parties from funding from issued bonds. The determination is based on the reports reviewed by the Director in assessing performance, allocating resources and making strategic decisions. Providing loans to related parties from funding from issued bonds is provided in the Netherlands and the bonds are issued in the Republic of Ireland. 100 percent of the Company's financing revenue in the period to 31 December 2018 consists of interest income from related parties.

## 2.11 Contingent liabilities

The company is a member of the fiscal unity for income tax purposes of CRH International B.V. in the Netherlands. The standard conditions prescribe that all companies of the fiscal unity are liable for the corporate income tax payable.

## 2.12 Subsequent events

A dividend distribution of € 14.655.925 was paid to CRH Nederland B.V. on the 27th of February 2019.
Management is not aware of any other events that took place after balance sheet date that could have a material effect on the financial position of the Company.

# OTHER INFORMATION

# 3 OTHER INFORMATION

## 3.1 Independent Auditor's Report

MAZARS

# INDEPENDENT AUDITOR'S REPORT

To: general meeting of shareholders of CRH Funding B.V.

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2018 INCLUDED IN THE ANNUAL REPORT

### *OUR OPINION*

We have audited the financial statements 2018 of CRH Funding B.V. In our opinion the accompanying financial statements give a true and fair view of the financial position of CRH Funding B.V. as at 31 December 2018, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:
- the Statement of Financial Position as at 31 December 2018;
- the following statements for 2018: Income statement, statement of comprehensive income, statement of cash flows and statement of changes in equity; and
- the notes, comprising a summary of the significant accounting policies and other explanatory information.

### *BASIS FOR OUR OPINION*

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of CRH Funding B.V. in accordance with the "EU Regulation on specific requirements regarding statutory audit of public-interest entities", the "Audit firms supervision act" (Wta), "Dutch Independence Standard regarding assurance engagements (ViO)" and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the "Dutch Code of Ethics (VGBA)".

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *MATERIALITY*

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 6.1 million. The materiality is based on 1% of total assets given the company's main activity is intra-group lending. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

WILHELMINA TOWER, DELFLANDLAAN 1 - P.O. BOX 7266 - 1007 JG AMSTERDAM
TEL: +31 (0)88 27 72 400- FAX: +31 (0)88 277 2245 - amsterdam.audit@mazars.nl

MAZARS ACCOUNTANTS N.V.
WITH ITS REGISTERED OFFICE IN ROTTERDAM (KVK ROTTERDAM NR. 24402415).

## OUR KEY AUDIT MATTER

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements, but they are not a comprehensive reflection of all matters that were identified by our audit and that we discussed with management of the company. We described the key audit matter and included a summary of the audit procedures we performed on this matter.

Due to the nature of the company's business we recognise that key audit matters may be long-standing and therefore may not change significantly from one year to the next. As compared to prior year there have been no changes in key audit matters.

The key audit matter is addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on this matter.

## VALUATION OF THE LOAN RECEIVABLE

The principal activity of the Company is to raise funds through the issue of bonds on the Irish Stock Exchange. The proceeds of bonds issued, are on-lent to CRH Nederland B.V. and CRH Europe Investments B.V. The bonds issued are guaranteed by CRH Plc., as disclosed in the financial statements.

We consider the valuation of the loans receivable, as disclosed in note 2.8.5 to the financial statements, for a total amount of approximately EUR 597 million as a key audit matter. This is due to the size of the loans receivable and given that a potential impairment may have a material effect on the financial statements.

The director of the company did not identify any impairment triggers regarding the loans issued to CRH Nederland B.V. and CRH Europe Investments B.V.

Loans receivable are initially recognized at fair value, including directly attributable transactions costs. After initial recognition, the loans receivable are carried at amortised cost using the effective interest method, less impairment losses. We have performed detailed audit work addressing the existence and valuation of the loans issued to CRH Nederland B.V. and CRH Europe Investments B.V. by verifying loans receivable with loan agreements, obtaining year-end confirmations for the loans outstanding and reconciled recorded amounts with these confirmations. We have recalculated the effective interest applied and amortised cost at year-end and reconciled these to recorded amounts. We have also assessed whether there were any impairment triggers, including an assessment of the financial position of the borrowers, CRH Nederland B.V. and CRH Europe Investments B.V., and their payment history.

MAZARS

## REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:
- the director's report;
- other information as required by Part 9 of Book 2 of the Dutch Civil Code;

Based on the following procedures performed, we conclude that the other information:
- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### *ENGAGEMENT*

We were engaged as auditor of CRH Funding B.V. as of the audit for the year 2014 and have operated as statutory auditor ever since that year.

### *NO PROHIBITED NON-AUDIT SERVICES*

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU. Regulation on specific requirements regarding statutory audit of public-interest entities.

## DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

### *RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS*

The management board is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

MAZARS

As part of the preparation of the financial statements, management responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

***OUR RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS***

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern;
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

MAZARS

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. We provide management with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with management, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 07 May 2019

**MAZARS ACCOUNTANTS N.V.**

J.C. van Oldenbeek MSc RA

## 3.2 Appropriation of Result

According to Article 23 Section 1 of the company's articles of association, the annual meeting of shareholders determines the appropriation of the company's result for the period. The directors of CRH Funding B.V. propose that the result for the financial period 2018 to be added to retained earnings.