

Registered number: 02670582

CHB P H R LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019



CHB P H R LIMITED

COMPANY INFORMATION

Directors	N Benning-Prince R C Dowley E A Gretton Dr C M Wendt
Company secretary	W F Rogers
Registered number	02670582
Registered office	Hanson House 14 Castle Hill Maidenhead SL6 4JJ
Independent auditor	Ernst & Young LLP The Paragon Counterslip Bristol BS1 6BX

CHB P H R LIMITED

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**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

Business review

The principal activities of the Company are that of a group investment holding company and being the principal employer of a defined benefit pension scheme.

During the year the Company incurred costs and received interest in connection with the operation of a defined benefit pension scheme.

Principal risks and uncertainties

The Company participates in the Powerhouse section of the Electricity Supply Pension Scheme ("ESPS"), (the "Scheme"). The Scheme is a defined benefit scheme, which is a sectionalised multi-employer Scheme with assets and liabilities allocated explicitly to each participating employer. The Company is only responsible for the obligations arising from the Powerhouse section and not for the obligations arising from any other entity's participation in the ESPS. The Company's liability to the Scheme is based on current third party actuarial advice and agreements with the scheme's trustees.

Results under IAS 19 can change dramatically depending on market conditions, and will lead to volatility in the net pension asset on the Company's Balance Sheet and in Other Comprehensive Income. The actuarial assumptions have been set so that they represent a best estimate of future experience from the Scheme. In practice, the true costs for the Scheme could be different to those shown.

The Scheme exposes the Company to a number of risks, the most significant of which are:

- Asset volatility - the Scheme holds a significant proportion of growth assets, which, though expected to outperform corporate bonds in the long-term, create volatility and risk in the short-term. The allocation to growth assets is monitored to ensure it remains appropriate given the Scheme's long term objectives.
- Changes in bond yields - A decrease in corporate bond yields will increase the value placed on the Scheme's liabilities for accounting purposes, although this will be partially offset by an increase in the value of the Scheme's bond holdings.
- Inflation risk - A significant proportion of the Scheme's benefits are linked to inflation. Whereas, the majority of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the Scheme's liabilities.
- Life expectancy - The majority of the Scheme's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the Scheme's liabilities.

Outside of its obligations to the Scheme the Company's results arise mainly from transactions with fellow group undertakings in the group headed by HeidelbergCement AG. The Directors are therefore of the opinion that the Company is not directly exposed to significant risks and uncertainties, however, by the very nature of its activities the Company is indirectly exposed to similar risks and uncertainties to those faced by other group undertakings. Details of the principal risks and uncertainties facing the group headed by HeidelbergCement AG are disclosed in the financial statements of that company.

This report was approved by the board on *11 August 2020* and signed on its behalf.



W F Rogers
Secretary

CHB P H R LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors present their report and the financial statements for the year ended 31 December 2019.

Results and dividends

The profit for the year, after taxation, amounted to £63,000 (2018 - £1,021,000).

The Directors do not recommend the payment of a final dividend for the year (2018 - £nil).

Other Comprehensive Income amounted to a loss of £4,289,000 (2018 - profit £8,191,000).

Directors

The Directors who served during the year were:

N Benning-Prince
R C Dowley
E A Gretton
Dr C M Wendt

Future developments

The Directors anticipate that the Company will continue as a group investment holding company and to act as the principal employer of the Scheme for the foreseeable future.

The impact of COVID-19 on UK businesses is changing on a daily basis and the measures being adopted by the UK Government could have a significant adverse impact on trade in the foreseeable future. The business is monitoring and managing the impact of this on a frequent basis.

Going concern

The Company has limited activity and has limited cash flows outside of the HeidelbergCement AG ("HCAG") group. The recoverability of its assets is dependent on the financial position of the HCAG group. The Directors believe the carrying value of assets are expected to be fully realised. The Company participates in the HCAG group's centralised treasury arrangements and so shares banking arrangements with HCAG group undertakings.

The impact of COVID-19 on global economic development is currently unpredictable, however HCAG has adopted COPE ('Covid-19 Contingency Plan Execution'), which is focussed on cost savings and has significant liquidity headroom as a result of actions already taken during its refinancing strategy. The Directors, having assessed the responses of the management of HCAG to their enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the HCAG group to continue as a going concern.

On the basis of their assessment of the Company's financial position and relevant enquiries the Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Directors' indemnity

A fellow group undertaking has indemnified, by means of directors and officers' liability insurance, one or more Directors of the Company against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act. Such qualifying third party indemnity provision was in force during the year and is in force as at the date of approving the Directors' Report.

The articles of association also provide for the Directors to be indemnified by the Company subject to the provisions of the Companies Act.

CHB P H R LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

Disclosure of information to auditor

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Ernst & Young LLP were appointed as auditors of the Company for the year ended 31 December 2019. Due to the introduction of EU Regulations regarding audit rotation, Ernst & Young LLP are not seeking re-appointment as auditors for the next reporting period.

This report was approved by the board on *11 August 2020* and signed on its behalf.

Wendy F Rogers

W F Rogers
Secretary

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019**

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the Directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHB P H R LIMITED

Opinion

We have audited the financial statements of CHB P H R Limited (the 'Company') for the year ended 31 December 2019, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 19, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Effects of COVID-19

We draw attention to Note 2.3 of the financial statements, which describes the economic and social consequences the company is facing as a result of COVID-19 which is impacting the entities ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's Report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHB P H R LIMITED (CONTINUED)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHB P H R LIMITED (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Paul Mapleston (Senior Statutory Auditor)

for and on behalf of

Ernst & Young LLP, Statutory Auditor

The Paragon

Counterslip

Bristol

BS1 6BX

Date: *12th August 2020*

CHB P H R LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 £000	2018 £000
Administrative expenses		(580)	(118)
Operating loss		<u>(580)</u>	<u>(118)</u>
Interest receivable and similar income	6	-	129
Interest payable and expenses	7	(784)	(33)
Other finance income	8	1,719	1,189
Profit before tax		<u>355</u>	<u>1,167</u>
Tax on profit	9	(292)	(146)
Profit for the financial year		<u>63</u>	<u>1,021</u>
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Actuarial (loss)/gain on defined benefit scheme	16	(5,168)	9,868
Movements of deferred tax relating to pension deficit		879	(1,677)
		<u>(4,289)</u>	<u>8,191</u>
Total comprehensive (loss)/profit for the year		<u>(4,226)</u>	<u>9,212</u>

All amounts relate to continuing operations.

The notes on pages 11 to 25 form part of these financial statements.

CHB P H R LIMITED
REGISTERED NUMBER:02670582

BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note	2019 £000	2018 £000
Fixed assets			
Investments	10	6,071	6,071
Current assets			
Debtors: amounts falling due within one year	11	60,000	60,005
Creditors: amounts falling due within one year	12	(86,355)	(85,976)
Net current liabilities		(26,355)	(25,971)
Total assets less current liabilities		(20,284)	(19,900)
Provisions for liabilities			
Deferred taxation	13	(9,491)	(10,078)
Other provisions	14	(6,403)	(5,423)
		(15,894)	(15,501)
Net liabilities excluding pension asset		(36,178)	(35,401)
Pension asset	16	55,831	59,280
Net assets		19,653	23,879
Capital and reserves			
Called up share capital	15	102,155	102,155
Share premium account		58,662	58,662
Profit and loss account		(141,164)	(136,938)
Shareholders' funds		19,653	23,879

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

11 August 2020



N Benning-Prince
Director

The notes on pages 11 to 25 form part of these financial statements.

CHB P H R LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
At 1 January 2018	102,155	58,662	(146,150)	14,667
Comprehensive income for the year				
Profit for the year	-	-	1,021	1,021
Actuarial gains on pension scheme, net of deferred tax	-	-	8,191	8,191
Total comprehensive income for the year	-	-	9,212	9,212
At 1 January 2019	102,155	58,662	(136,938)	23,879
Comprehensive loss for the year				
Profit for the year	-	-	63	63
Actuarial losses on pension scheme, net of deferred tax	-	-	(4,289)	(4,289)
Total comprehensive loss for the year	-	-	(4,226)	(4,226)
At 31 December 2019	102,155	58,662	(141,164)	19,653

The notes on pages 11 to 25 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

1. General information

CHB P H R Limited ("the Company") is a limited company incorporated and domiciled in the United Kingdom. The address of its registered office and principal place of business is disclosed in the Company Information.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 (FRS101) 'Reduced Disclosure Framework' and the Companies Act 2006.

The Company's financial statements are presented in Sterling, which is also the Company's functional currency, and all values are rounded to the nearest thousand pounds.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have, unless otherwise stated, been consistently applied to all periods presented.

The Company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

2.2 Financial reporting standard 101 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures; and
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

This information is included in the consolidated financial statements of HeidelbergCement AG as at 31 December 2019 and these financial statements may be obtained from Berliner Strasse 6, D 69120 Heidelberg, Germany.

2.3 Going concern

The financial statements have been prepared on a going concern basis as the Company's ultimate parent undertaking, which indirectly owns the Company's entire share capital, has committed to continue to support the Company for the foreseeable future, in order that it can meet its liabilities as they fall due.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.3 Going concern

The Company has limited activity and has limited cash flows outside of the HeidelbergCement AG ("HCAG") group. The recoverability of its assets is dependent on the financial position of the HCAG group. The Directors believe the carrying value of assets are expected to be fully realised. The Company participates in the HCAG group's centralised treasury arrangements and so shares banking arrangements with HCAG group undertakings.

The impact of COVID-19 on global economic development is currently unpredictable, however HCAG has adopted COPE ('Covid-19 Contingency Plan Execution'), which is focussed on cost savings and has significant liquidity headroom as a result of actions already taken during its refinancing strategy. The Directors, having assessed the responses of the management of HCAG to their enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the HCAG group to continue as a going concern.

On the basis of their assessment of the Company's financial position and relevant enquiries the Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2.4 Financial instruments

Financial assets

Financial assets are initially measured at fair value plus, in the case of a financial asset not subsequently measured at fair value through profit or loss, transaction costs.

The Company's financial assets include amounts owed by group undertakings and other receivables.

Financial assets are subsequently measured at amortised cost where they are financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Amortised cost is calculated using the effective interest method and represents the amount measured at initial recognition less repayments of principal plus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Equity instruments at fair value through other comprehensive income

On initial recognition of an investment in equity instrument, the Company may make an irrevocable election to designate the financial assets as at fair value through other comprehensive income, providing that it is not held for trading nor is it contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.4 Financial instruments (continued)

Equity instruments at fair value through other comprehensive income (continued)

The Company elected to classify irrevocably its non-listed equity investments under this category.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses (ECL) on investments in debt instruments that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The ECL required for other debt instruments is determined using a three stage model.

At the initial recognition of the financial asset an expected credit loss provision is recorded for the twelve month period following the reporting date. Any interest revenue is calculated on the gross carrying amount of the financial asset.

If the credit risk of that financial instrument has increased significantly since initial recognition, a loss allowance for full lifetime expected credit losses is recorded. Any interest revenue is calculated on the gross carrying amount of the financial asset. Should the significant increase in credit risk reverse within subsequent reporting periods then the expected credit losses on the financial instrument revert to being measured based on an amount equal to the twelve month expected credit losses.

If objective evidence of impairment exists, a loss allowance for full lifetime expected credit losses is recognised. Any interest revenue is calculated on the net carrying amount of the financial asset.

Financial liabilities

Financial liabilities are initially measured at fair value and, in the case of loans and borrowing and payables, net of directly attributable transactions costs.

The Company's financial liabilities include amounts owed to group undertakings and other payables.

Financial liabilities which are neither contingent consideration of an acquirer in a business combination, held for trading, nor designated as at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. This is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate a shorter period, to the amortised cost of a financial liability.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.5 Leases: the Company as lessee

Rentals payable under leases are set against the onerous lease provision on a straight line basis over the lease term.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.6 Investments

Investments in subsidiaries are held at historical cost less provision for impairment.

2.7 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.8 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.9 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

2.10 Pensions

The Company operates a defined benefit pension scheme and the pension charge is based on the full actuarial valuation at 31 March 2019.

The cost of providing benefits under the defined benefit plan is determined using the projected unit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. Past service costs are recognised immediately in the Statement of Comprehensive Income. When a settlement or a curtailment occurs the change in the present value of the scheme liabilities and the fair value of the scheme assets reflects the gain or loss which is recognised in the income statement.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. The difference between the expected return on scheme assets and the interest cost is recognised in the Statement of Comprehensive Income as other finance income or expenses.

Actuarial gains and losses are recognised in full in other comprehensive income in the period in which they occur.

The defined benefit pension asset or liability in the statement of financial position comprises the total for each scheme of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds that have been rated at AA or equivalent status), less the fair value of scheme assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.11 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2.12 Current and deferred tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exception:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

However, for taxable temporary differences associated with investment in subsidiaries, branches and associates, and interests in joint ventures, a deferred tax liability shall be recognised in accordance with IAS 12.39.

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the Statement of Comprehensive Income.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

3. Judgments in applying accounting policies and key sources of estimation uncertainty

Impairment of investments

The Company reviews investments in subsidiaries and other investments for impairment if there are any indications that the carrying values may not be recoverable. The carrying value of the investment is compared to the recoverable amount and where a deficiency exists, an impairment charge is considered by management.

The recoverable amount represents the net assets of the investment at the time of the review or where applicable is represented by an estimate of future cash flows expected to arise from the investment. A suitable discount rate is applied to the future cash flows in order to calculate the present value.

Reversals of impairments are recognised where there is a favourable change in the economic assumptions in the period since the provision was made.

Recoverability of amounts owed by group undertakings

The Company reviews the recoverability of amounts owed by group undertakings by reviewing the net assets of the counterparty. If the counterparty has net liabilities a provision is made by management for the amount considered irrecoverable.

4. Auditors' remuneration

Fees for audit and non-audit services provided to the Company have been borne by other group undertakings. It is not practicable to ascertain what proportion of such fees relate to the Company.

5. Staff costs

The Directors of the Company are also Directors of a number of the group's fellow subsidiaries. The Directors received total remuneration of £876,000 (2018 - £843,000), which was paid by various subsidiaries. The Directors do not believe that it is practicable to apportion this amount between their services as Directors of the Company and their services as directors of fellow subsidiary companies.

6. Interest receivable

	2019 £000	2018 £000
Other interest receivable	-	129

CHB P H R LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

7. Interest payable and similar expenses

	2019 £000	2018 £000
Other interest payable	749	-
Loans from group undertakings	35	33
	<u>784</u>	<u>33</u>

8. Other finance income

	2019 £000	2018 £000
Net interest on net defined benefit asset	1,719	1,189
	<u>1,719</u>	<u>1,189</u>

9. Taxation

	2019 £000	2018 £000
Current UK corporation tax on profit for the year	-	-
Total current tax	<u>-</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	292	146
Total deferred tax	<u>292</u>	<u>146</u>
Taxation on profit on ordinary activities	<u>292</u>	<u>146</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

9. Taxation (continued)

Reconciliation of the tax charge for the year

The tax assessed for the year is higher than (2018 - lower than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £000	2018 £000
Profit on ordinary activities before tax	355	1,167
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	67	222
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	-	(16)
Short term timing difference leading to an increase/(decrease) in taxation	(34)	-
Group relief	306	(13)
Transfer pricing adjustments	(47)	(47)
Total tax charge for the year	292	146

Change in corporation tax rate

As at the balance sheet date, there was an enacted reduction in the main rate of corporation tax from 19% to 17% from 1 April 2020. On 11 March 2020, the Chancellor of the Exchequer announced that the main rate of corporation tax would remain at 19% and this change has since been substantively enacted..

Deferred tax has been recognised at 17%, being the enacted main rate of corporation tax at the balance sheet date on which the deferred tax liability is expected to be settled. The deferred tax liability as at 31 December 2019 but recognised at 19% would be £10,608,000.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

10. Fixed asset investments

	Investments in subsidiary companies £000	Unlisted investments £000	Total £000
Cost or valuation			
At 1 January 2019 and 31 December 2019	6,050	21	6,071
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2019	6,050	21	6,071
	<hr/>	<hr/>	<hr/>
At 31 December 2018	6,050	21	6,071
	<hr/>	<hr/>	<hr/>

There is no impairment during the year as net assets exceed or equal the carrying value.

Fixed asset investments

The following were investments of the Company:

Name	Principal activity	Class of shares	Holding
E Sub Limited	Group finance	Ordinary	100%
Electricity Pensions Trustee Limited	Pension scheme trustee	Ordinary	3.2%

The registered office of E Sub Limited is Hanson House, 14 Castle Hill, Maidenhead, SL6 4JJ.

The registered office of Electricity Pensions Trustee Limited is Elder House, St Georges Business Park, 207 Brooklands Road, Weybridge, Surrey, KT13 0TS.

11. Debtors

	2019 £000	2018 £000
Due within one year		
Amounts owed by group undertakings	60,000	60,000
Other debtors	-	5
	<hr/>	<hr/>
	60,000	60,005
	<hr/>	<hr/>

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

12. Creditors: Amounts falling due within one year

	2019 £000	2018 £000
Other loans	21	21
Amounts owed to group undertakings	86,334	85,955
	<u>86,355</u>	<u>85,976</u>

Other loans are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Included within amounts owed to group undertakings is £2,878,000 (2018 - £2,821,000) on which interest is payable at 0.5% (2018 - 0.65%) above the overnight LIBOR; the remaining amounts owed to group undertakings are interest free. All amounts owed to group undertakings are unsecured and repayable on demand.

13. Deferred taxation

	2019 £000	2018 £000
At beginning of year	(10,078)	(8,255)
Charged to the statement of comprehensive income	(292)	(146)
Charged to other comprehensive income	879	(1,677)
At end of year	<u>(9,491)</u>	<u>(10,078)</u>

The provision for deferred taxation is made up as follows:

	2019 £000	2018 £000
Deferred tax on pension scheme asset	<u>(9,491)</u>	<u>(10,078)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

14. Provisions

	Onerous lease provision £000	Pension admin costs £000	Other provisions £000	Total £000
At 1 January 2019	126	5,297	-	5,423
Charged to profit and loss	37	1,116	58	1,211
Discounted adjustments	-	144	-	144
Utilised in year	(64)	(311)	-	(375)
At 31 December 2019	99	6,246	58	6,403

Onerous lease

Provision has been made for onerous lease commitments and other attributable costs in relation to some properties. The provision will be utilised over the remaining life of the leases as detailed in Note 17. The effect of discounting on amounts which are due in more than 12 months is not material therefore they have not been discounted.

Pension admin costs

A provision has been recognised for the pension administration costs in relation to the defined benefit pension scheme. The administration fees are expected to be utilised over the life of the Scheme. All amounts which are due in more than 12 months are discounted at a rate of 2.0% (2018 - 2.9%).

15. Share capital

	2019 £000	2018 £000
Allotted, called up and fully paid		
82,154,924 (2018 - 82,154,924) Ordinary shares of £1 each	82,155	82,155
20,000,000 (2018 - 20,000,000) 'A' Ordinary shares of £1 each	20,000	20,000
	102,155	102,155

The 'A' Ordinary and Ordinary shares rank pari passu in all respects except that on a vote on a written resolution or poll, the 'A' Ordinary and Ordinary shares carry one hundred votes and one vote per share respectively.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

16. Pension commitments

The Company operates a defined benefit pension scheme.

During the year, the Company participated in the Powerhouse section of the Electricity Supply Pension Scheme ("the Scheme") and relevant employees are eligible for benefits under this funded scheme, which is, in the main, of the defined benefit type. Funds are held externally under the supervision of the corporate trustee.

The results of the latest funding valuation at 31 March 2016 (2018 - actuarial valuation at 31 March 2016) have been adjusted to the balance sheet date by an independent actuary from AON Hewitt Limited taking account of experience over the period since 31 March 2016, changes in market conditions, and differences in the financial and demographic assumptions. The present value of the defined benefit obligation, and the related current service cost, were measured using the Projected Unit Credit Method.

Scheme assets are stated at their market values at the respective balance sheet dates.

UK legislation requires that pension schemes are funded prudently. The latest funding valuation as at 31 March 2016 was completed on 31 March 2017. The valuation showed a deficit of £4.9 million, however after making allowance for the effect of experience since the valuation date (including the deficit contributions of £272,000 per month under the previous schedule of contributions), this deficit had been eliminated by 31 March 2017, when the valuation was finalised. Deficit contributions have not been paid by the Company since April 2017. Note that this could be subject to change at the next triennial valuation.

The amount recognised on the Balance Sheet is:

	2019	2018
	£000	£000
Present value of funded obligations	(176,759)	(166,872)
Fair value of Scheme assets	232,590	226,152
Net asset	<u>55,831</u>	<u>59,280</u>

The amounts recognised in Statement of Comprehensive Income are as follows:

	2019	2018
	£000	£000
Interest on obligation	(4,696)	(4,425)
Expected return on Scheme assets	6,415	5,614
Past service cost	-	(333)
	<u>1,719</u>	<u>856</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

16. Pension commitments (continued)

The amounts recognised in Other Comprehensive Income are as follows:

	2019 £000	2018 £000
Actuarial (losses)/gain	(5,168)	9,868
Actuarial (losses)/gain	(5,168)	9,868

Movements in the present value of the defined benefit obligation were as follows:

	2019 £000	2018 £000
Opening defined benefit obligation	166,872	185,409
Interest cost	4,696	4,425
Actuarial (gains)/losses	15,076	(13,683)
Benefits paid	(9,885)	(9,612)
Past service costs	-	333
Closing defined benefit obligation	176,759	166,872

Changes in the fair value of Scheme assets were as follows:

	2019 £000	2018 £000
Opening fair value of Scheme assets	226,152	233,965
Expected return on assets	6,415	5,614
Actuarial gains/(losses) on assets	9,908	(3,815)
Contributions by employer	-	-
Benefits paid	(9,885)	(9,612)
	232,590	226,152

Scheme assets analysis at 31 December:

	2019 £000	2018 £000
Equities	13,307	10,862
Index linked government bonds	136,373	143,367
Cash and cash equivalents	26,959	18,165
Corporate bonds	17,815	16,277
Nominal government bonds	38,136	37,481
	232,590	226,152

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

16. Pension commitments (continued)

The majority of these assets have a quoted market price in an active market. The Company and Trustees have agreed a long-term strategy for reducing investment risk as and when appropriate. This includes an asset-liability matching policy which aims to reduce the volatility of the funding level of the pension Scheme by investing in assets such as swaps which perform in line with the liabilities of the Scheme so as to protect against inflation being higher than expected.

The Trustee aims to achieve the Scheme's investment objectives through investing partly in a diversified mix of growth assets which, over the long term, are expected to grow in value by more than low risk assets like cash and gilts. This is done within a broad liability driven investing framework that uses cash, gilts and other hedging instruments like swaps in a capital efficient way. In combination this efficiently captures the trustee risk tolerances and return objectives relative to the scheme's liabilities.

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2019	2018
	%	%
Discount rate at 31 December	2.00	2.90
Future pension increases	2.70	2.56
Inflation	2.75	2.15

The mortality assumptions for 31 December 2019 and 2018 are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member currently aged 65 will live for a further 21.7 (2018 - 21.4 years) years if they are male and for a further 24.0 (2018 - 23.6 years) if they are female. For a member who retires in 2029 (2018 - 2028) at age 65 the assumptions mean that they will live on average for a further 22.1 (2018 - 22.4) years after retirement if they are male and for a further 25.2 (2018 - 24.8) years after retirement if they are female.

Amounts for the current and previous four periods are as follows:

Defined benefit pension schemes

	2019	2018	2017	2016	2015
	£000	£000	£000	£000	£000
Defined benefit obligation	(176,759)	(166,872)	(185,409)	(191,412)	(167,374)
Scheme assets	232,590	226,152	233,965	233,157	191,147
Surplus	55,831	59,280	48,556	41,745	23,773
Experience adjustments on Scheme liabilities	1,808	(1,140)	1,698	939	1,053
Experience adjustments on Scheme assets	(9,908)	3,815	(2,928)	(40,573)	5,266

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**
16. Pension commitments (continued)
Sensitivity analysis

The sensitivity of the present value of Scheme liabilities to changes in the principal assumptions used is set out below.

	Change in assumption	Impact on Scheme liabilities
Discount rate	Increase / decrease 0.5%	Decrease 7% / increase 6%
Pension increase rate	Increase / decrease 0.25%	Increase 3% / decrease 3%
Life expectancy	Increase / decrease 1 year	Increase 5% / decrease 5%

17. Commitments under leases

At 31 December the Company had future minimum lease payments under non-cancellable leases as follows:

	2019 £000	2018 £000
Not later than 1 year	-	72
	<u>-</u>	<u>72</u>

18. Related party transactions

The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with wholly owned subsidiaries in the group headed by HeidelbergCement AG. Balances outstanding at 31 December with related parties, are as follows:

	2019 £000	2018 £000
Amounts owed by fellow subsidiary undertakings	60,000	60,000
Amounts owed to ultimate parent undertaking	(2,878)	(2,821)
Amounts owed to subsidiary undertakings	(6,050)	(6,050)
Amounts owed to fellow subsidiary undertakings	(77,406)	(77,084)
	<u>(26,334)</u>	<u>(25,955)</u>

19. Ultimate parent undertaking and controlling party

The Company's immediate parent undertaking is CHB Group Limited, a company registered in England and Wales. The Company's ultimate parent undertaking is HeidelbergCement AG, a company registered in Germany. The largest and smallest group in which the results of the Company are consolidated is that headed by HeidelbergCement AG. Copies of the consolidated financial statements of HeidelbergCement AG may be obtained from Berliner Strasse 6, D 69120 Heidelberg, Germany.