Registered number: 02670582

CHB P H R LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

CHB P H R LIMITED

COMPANY INFORMATION

Directors	N Benning-Prince R C Dowley E A Gretton A Quilez Somolinos
Company secretary	W F Rogers
Registered number	02670582
Registered office	Second Floor Arena Court Crown Lane Maidenhead Berkshire SL6 8QZ
Independent auditors	PricewaterhouseCoopers LLP 2 Glass Wharf Bristol BS2 0FR

CHB P H R LIMITED

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DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

The Directors present their report and the audited financial statements for the year ended 31 December 2022.

Principal activities and business review

The principal activities of the Company are that of a group investment holding company and 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 ESPS is a sectionalised multi-employer pension 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. Relevant employees are eligible for benefits under this funded scheme. 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 Other Comprehensive Income and the net pension asset on the Company's Balance Sheet. 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 so although the majority of* the assets are either unaffected by or only loosely correlated with inflation, 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 Heidelberg Materials AG (formerly 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.

Results and dividends

The profit for the year, after taxation, amounted to £2,679,000 (2021 - loss £1,184,000).

Other comprehensive expense amounted to £11,147,000 (2021 - other comprehensive income £7,967,000).

The Directors do not recommend the payment of a final dividend for the year (2021 - £nil).

Future developments

The Directors anticipate that the Company will continue as a group investment holding company for the foreseeable future.

Going concern

The financial statements have been prepared on a going concern basis as the Company's ultimate parent undertaking, Heidelberg Materials AG which indirectly owns the Company's entire share capital, has committed to continue to support the Company for a period of no less than 12 months from the date of approval of the financial statements, in order that it can meet its liabilities as they fall due.

The Directors have considered and satisfied themselves that Heidelberg Materials AG is able to make the commitments it has made to the Company. In doing this, the Directors have noted that the ultimate parent undertaking, Heidelberg Materials AG, has made an assessment of identifiable risks on their global business activities, including the on-going impact of the Ukraine crisis, the volatility in energy and raw materials markets, inflationary pressures, rising interest rates and the overarching impact these factors have on construction and consumer markets, and continues to operate on a going concern basis.

Thus the Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future and they continue to adopt the going concern basis of accounting in preparing the financial statements.

Directors

The Directors who served during the year and up to the date of signing the financial statements were:

N Benning-Prince
R C Dowley
E A Gretton
A Quilez Somolinos

Directors' indemnity

Heidelberg Materials AG 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.

Disclosure of information to auditors

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 auditors are 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 auditors are aware of that information.

Independent auditors

PricewaterhouseCoopers LLP having indicated their willingness to act will continue in office, as auditors of the Company, in accordance with section 487 of the Companies Act 2006.

Strategic Report exemption

The Company has taken advantage of section 414B of the Companies Act 2006 not to prepare a Strategic Report.

This report was approved by the board on 27 September 2023 and signed on its behalf.

Wendy F Rogers

W F Rogers
Secretary

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, 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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, 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 safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also 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 enable them to ensure that the financial statements comply with the Companies Act 2006.

The Responsibilities Statement was approved by the board on 27 September 2023 and signed on its behalf.

Wendy F Rogers

W F Rogers
Secretary

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

Report on the audit of the financial statements

Opinion

In our opinion, CHB P H R Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2022; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they 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.

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 auditors' 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

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

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006 and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Reading board minutes for evidence of breaches of regulations and reading relevant correspondence
- Identifying and testing journal entries, in particular journal entries posted with unexpected account combinations
- Inquiries of management in respect of any known or suspected instances of non compliance with laws and regulations and fraud
- Challenging management on key accounting estimates and auditing the assumptions to supporting third party documentation where applicable.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

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

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the Directors were not entitled to: take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Stuart Couch

Stuart Couch (Senior statutory auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
28 September 2023

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £000	2021 £000
Other income		314	2
Operating profit		314	2
Interest receivable and similar income	5	1,531	122
Interest payable and similar expenses	6	(167)	(94)
Other finance income	7	1,252	648
Profit before tax		2,930	678
Tax on profit	8	(251)	(1,862)
Profit/(loss) for the financial year		2,679	(1,184)
Other comprehensive (expense)/income:			
Items that will not be reclassified to profit or loss:			
Actuarial (loss)/gain on defined benefit schemes	15	(14,862)	12,279
Movements of deferred tax relating to pension (deficit)/surplus	12	3,715	(4,312)
		(11,147)	7,967
Total comprehensive (expense)/income for the year		(8,468)	6,783

All amounts relate to continuing operations.

The notes on pages 12 to 25 form part of these financial statements.

BALANCE SHEET
AS AT 31 DECEMBER 2022

	Note		2022 £000		2021 £000
Fixed assets					
Investments	9		6,071		6,071
Pension asset	15		48,849		62,707
			54,920		68,778
Current assets					
Debtors: amounts falling due within one year	10	60,000		60,000	
Creditors: amounts falling due within one year	11	(86,993)		(86,833)	
Net current liabilities			(26,993)		(26,833)
Total assets less current liabilities			27,927		41,945
Provisions for liabilities					
Deferred taxation	12	(12,212)		(15,676)	
Other provisions	13	(3,869)		(5,955)	
			(16,081)		(21,631)
Net assets			11,846		20,314
Capital and reserves					
Called up share capital	14		102,155		102,155
Share premium account			58,662		58,662
Profit and loss account			(148,971)		(140,503)
Total equity			11,846		20,314

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27 September 2023.

N Benning-Prince
Director

The notes on pages 12 to 25 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2021	102,155	58,662	(147,286)	13,531
Comprehensive income for the year				
Loss for the year	-	-	(1,184)	(1,184)
Actuarial gains on pension scheme, net of deferred tax	-	-	7,967	7,967
Total comprehensive income for the year	-	-	6,783	6,783
At 1 January 2022	102,155	58,662	(140,503)	20,314
Comprehensive expense for the year				
Profit for the year	-	-	2,679	2,679
Actuarial losses on pension scheme, net of deferred tax	-	-	(11,147)	(11,147)
Total comprehensive expense for the year	-	-	(8,468)	(8,468)
At 31 December 2022	102,155	58,662	(148,971)	11,846

The notes on pages 12 to 25 form part of these financial statements.

1. Accounting policies

1.1 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.

1.2 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 (£'000).

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 financial statements by virtue of section 401 of the Companies Act 2006. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

1.3 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
- 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 Heidelberg Materials AG as at 31 December 2022 and these financial statements may be obtained from Berliner Strasse 6, D 69120 Heidelberg, Germany.

1. Accounting policies (continued)

1.4 Going concern

The financial statements have been prepared on a going concern basis as the Company's ultimate parent undertaking, Heidelberg Materials AG which indirectly owns the Company's entire share capital, has committed to continue to support the Company for a period of no less than 12 months from the date of approval of the financial statements, in order that it can meet its liabilities as they fall due.

The Directors have considered and satisfied themselves that Heidelberg Materials AG is able to make the commitments it has made to the Company. In doing this, the Directors have noted that the ultimate parent undertaking, Heidelberg Materials AG, has made an assessment of identifiable risks on their global business activities, including the on-going impact of the Ukraine crisis, the volatility in energy and raw materials markets, inflationary pressures, rising interest rates and the overarching impact these factors have on construction and consumer markets, and continues to operate on a going concern basis.

Thus the Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future and they continue to adopt the going concern basis of accounting in preparing the financial statements.

1.5 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 comprise amounts owed by group undertakings.

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.

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

1. Accounting policies (continued)

1.5 Financial instruments (continued)

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.

1.6 Investments

Investments held as fixed assets are shown at historical cost less provision for impairment.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

1. Accounting policies (continued)

1.7 Finance costs

Finance costs are charged to profit or loss 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.

1.8 Interest income

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

1.9 Borrowing costs

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

1.10 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 Balance Sheet comprises the total for each scheme of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds 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.

1.11 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 profit or loss 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

1. Accounting policies (continued)

1.12 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 enforcement 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.

2. 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.

2. Judgments in applying accounting policies and key sources of estimation uncertainty (continued)

Recoverability of amounts owed by group undertakings

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.

Estimating the defined benefits pension scheme obligations

Measurement of defined benefit pension obligations requires estimation of future changes in inflation and mortality rates, and the selection of a suitable discount rate. See note 15 for further details.

3. Auditors' remuneration

Fees for 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.

4. Staff costs

The average monthly number of employees, including the Directors, during the year was nil (2021 - nil).

The Directors of the Company are also Directors of a number of the group's fellow subsidiaries. The Directors received total remuneration of £967,000 (2021 - £1,063,000), 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.

5. Interest receivable and similar income

	2022 £000	2021 £000
Other interest receivable	1,531	122

6. Interest payable and similar expenses

	2022 £000	2021 £000
Other interest payable	115	81
Loans from group undertakings	52	13
	167	94

7. Other finance income

	2022 £000	2021 £000
Net interest on net defined benefit asset	1,252	648

8. Tax

	2022 £000	2021 £000
Current Income tax		
Current UK corporation tax on profit for the year	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	251	1,862
Total deferred tax	251	1,862
Taxation on profit on ordinary activities	251	1,862

Reconciliation of the tax charge for the year

The tax assessed for the year is lower than (2021 - higher than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £000	2021 £000
Profit before tax	2,930	678
Profit before tax multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	557	129
Effects of:		
Short-term timing difference leading to an increase (decrease) in taxation	60	1,783
Group relief	(290)	(33)
Transfer pricing adjustments	(76)	(17)
Total tax charge for the year	251	1,862

8. Tax (continued)

Change in corporation tax rate

The main rate of corporation tax increased from 19% to 25% on 1 April 2023.

Deferred tax has been recognised at 25% (2021 - 25%), being the enacted main rate of corporation tax at the balance sheet date on which the deferred tax asset/liability is expected to be realised/settled.

9. Fixed asset investments

	Investments in subsidiary company £000	Unlisted investment £000	Total £000
Cost			
At 1 January 2022 and 31 December 2022	6,050	21	6,071
Net book value			
At 31 December 2022	6,050	21	6,071
At 31 December 2021	6,050	21	6,071

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

Investments

The investments in which the Company directly held any class of share capital are as follows:

Name	Principal activity	Class of shares	Holding
E Sub Limited	Group finance	Ordinary	100%
Electricity Pensions Trustee Limited	Pension scheme trustee	Ordinary	3.3%

The Company also held a 2.5% capital interest in Electricity Pensions Limited, a limited by guarantee company without share capital.

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

After the year end the registered office of E Sub Limited moved to Second Floor, Arena Court, Crown Lane, Berkshire, Maidenhead, SL6 8QZ.

The registered office of Electricity Pensions Trustee Limited and Electricity Pensions Limited is Highdown House, Yeoman Way, Worthing, West Sussex, BN99 3HH.

10. Debtors

	2022 £000	2021 £000
Due within one year		
Amounts owed by group undertakings	60,000	60,000

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

11. Creditors: Amounts falling due within one year

	2022 £000	2021 £000
Other loans	21	21
Amounts owed to group undertakings	86,972	86,812
	86,993	86,833

Included within amounts owed to group undertakings is an amount of £2,988,000 (2021 - £2,931,000) which is unsecured, repayable on demand and accrues interest at SONIA + 0.35% (2021 - overnight GBP LIBOR + 0.4%). GBP LIBOR was replaced by SONIA on 1 January 2022.

The remaining amounts owed to group undertakings are interest free, unsecured and repayable on demand.

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

12. Deferred taxation

	2022 £000	2021 £000
At beginning of year	(15,676)	(9,502)
Charged to profit or loss	(251)	(1,862)
Credited/(charged) to other comprehensive income	3,715	(4,312)
At end of year	(12,212)	(15,676)

The provision for deferred taxation is made up as follows:

	2022 £000	2021 £000
Deferred tax on pension scheme asset	(12,212)	(15,676)

13. Provisions

	Pension admin costs £000	Other provisions £000	Total £000
At 1 January 2022	5,897	58	5,955
Charged to profit or loss	(2,098)	-	(2,098)
Discounted adjustments	115	-	115
Utilised in year	(103)	-	(103)
At 31 December 2022	3,811	58	3,869

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 4.8% (2021 - 1.3%).

14. Share capital

	2022 £000	2021 £000
Allotted, called up and fully paid		
82,154,924 (2021 - 82,154,924) Ordinary shares of £1 each	82,155	82,155
20,000,000 (2021 - 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.

15. Pension asset

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 2019 (2021 - actuarial valuation at 31 March 2019) 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 2019, 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.

15. Pension asset (continued)

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 2019 was completed on 25 June 2020. The valuation showed a surplus of £16,800,000. 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:

	2022 £000	2021 £000
Present value of funded obligations	(124,308)	(176,105)
Fair value of Scheme assets	173,157	238,812
Net asset	48,849	62,707

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

	2022 £000	2021 £000
Interest on obligation	(3,431)	(2,440)
Expected return on Scheme assets	4,683	3,088
Administrative expenses	(248)	(233)
	1,004	415

The amounts recognised in Other Comprehensive (expense)/income are as follows:

	2022 £000	2021 £000
Actuarial (losses)/gains	(14,862)	12,279

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

	2022 £000	2021 £000
Opening defined benefit obligation	176,105	192,196
Interest cost	3,431	2,440
Actuarial gains	(46,141)	(9,472)
Benefits paid	(9,087)	(9,059)
Closing defined benefit obligation	124,308	176,105

The actuarial gains on Scheme's liabilities can be broken down into effects from the adjustment of financial assumptions resulting in gains of £53,252,000 (2021 - £8,883,000), effects from experience adjustments resulting in a loss of £8,865,000 (2021 - gains of £194,000), and effects from changes in demographic assumptions resulting in gains of £1,754,000 (2021 - gains of £395,000).

15. Pension asset (continued)

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

	2022 £000	2021 £000
Opening fair value of Scheme assets	238,812	242,209
Expected return on assets	4,683	3,088
Actuarial (losses)/gains on assets	(61,003)	2,807
Benefits paid	(9,087)	(9,059)
Administrative expenses	(248)	(233)
	173,157	238,812

Scheme assets analysis at 31 December

	2022 £000	2021 £000
Equities	8,100	13,526
Index linked government bonds	114,061	167,083
Cash and cash equivalents	23,554	12,054
Corporate bonds	16,145	18,582
Nominal government bonds	11,297	27,567
	173,157	238,812

The Company and Trustee have agreed a long-term strategy for reducing risk as an 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 a significant portion of the Scheme's assets in funds that track a variety of fixed income instruments in Gilts, Index-linked gilts, and Corporate bonds of maturities that broadly match the underlying liabilities, complemented by a lesser investment in an equity fund to capture longer-term potential for returns in excess of bond returns.

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 liabilties.

15. Pension asset (continued)

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

	2022 %	2021 %
Discount rate	4.80	2.00
Future pension increases	3.23	3.31
Inflation	3.30	3.30

The mortality assumptions for 31 December 2022 and 2021 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 21.5 (2021 - 21.9 years) years if they are male and for a further 23.9 (2021 - 24.2 years) if they are female. For a member who retires in 2042 (2021 - 2041) at age 65 the assumptions mean that they will live on average for a further 21.9 (2021 - 22.2) years after retirement if they are male and for a further 25.1 (2021 - 25.4) years after retirement if they are female.

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

Defined benefit pension schemes

	2022 £000	2021 £000	2020 £000	2019 £000	2018 £000
Defined benefit obligation	(124,308)	(176,105)	(192,196)	(176,759)	(166,872)
Scheme assets	173,157	238,812	242,209	232,590	226,152
Surplus	48,849	62,707	50,013	55,831	59,280
Experience adjustments on Scheme liabilities	(8,865)	194	546	1,808	(1,140)
Experience adjustments on Scheme assets	(61,003)	2,807	14,108	9,908	(3,815)

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 1%	Decrease 11% / increase 12%
Pension increase rate	Increase / decrease 0.25%	Increase 2% / decrease 2%
Life expectancy	Increase / decrease 1 year	Increase 4% / decrease 4%

The assumption on discount rate for sensitivity analysis has been changed from 0.5% to 1% considering the signficant movement in the discount rate during the year.

16. 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 Heidelberg Materials AG. Balances outstanding at 31 December with related parties, are as follows:

	2022 £000	2021 £000
Amounts owed by indirect parent undertakings	60,000	60,000
Amounts owed to ultimate parent undertaking	(2,988)	(2,931)
Amounts owed to direct subsidiary undertakings	(6,050)	(6,050)
Amounts owed to fellow group subsidiary undertakings	(77,934)	(77,831)
	(26,972)	(26,812)

17. 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 Heidelberg Materials AG, a company registered in Germany. The largest and smallest group in which the results of the Company are consolidated is that headed by Heidelberg Materials AG. Copies of the consolidated financial statements of Heidelberg Materials AG may be obtained from Berliner Strasse 6, D 69120 Heidelberg, Germany.