Registered number: 02182762

CASTLE CEMENT LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

CASTLE CEMENT LIMITED

COMPANY INFORMATION

Directors	E A Gretton M D Barlow S L Willis J P Morrish A Quilez Somolinos
Company secretary	W F Rogers
Registered number	02182762
Registered office	Second Floor Arena Court Crown Lane Maidenhead Berkshire SL6 8QZ
Independent auditors	PricewaterhouseCoopers LLP 2 Glass Wharf Bristol BS2 0FR

CASTLE CEMENT LIMITED

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

Business review

The principal activity of the Company is the manufacture and sale of cement primarily for use in the ready mixed concrete and manufactured concrete products industries. The Company also acts as an intermediary agent for sales of Regen products by a fellow subsidiary undertaking Civil and Marine Limited to third party customers.

The turnover for the year was £324,999,000, an increase of 22% compared with 2021, generating an operating profit of £15,491,000 (2021 - £3,832,000). The increase in turnover and operating profit was driven by sales price increases.

Construction demand recorded a gradual loss of momentum towards the latter part of 2022 as a result of uncertainties in the macroeconomic environment. Sales volumes demand reduced compared with the prior year. Selling prices were increased to maintain margins and to offset pressures as a result of the war in Ukraine, affecting energy and fuel prices plus the availability of components from suppliers.

During the year the Company impaired its tangible fixed assets by £3,958,000, following a review which identified a site impacted by local market conditions. This has been treated as an exceptional item.

Significant investments were made to reduce CO2 emissions as part of the Company's net zero targets, including a new addition to the main burner at the Company's Padeswood site costing £2,173,000 as part of an initiative to reduce the usage of fossil fuel.

Directors' statement of compliance with their duty to promote the success of the Company

Section 172(1) Statement

This report sets out how the Directors have complied with section 172(1) of the Companies Act 2006 in making their strategic decisions during 2022 and in considering the likely long-term consequences of those decisions and the need to maintain a reputation for high standards of business conduct. This has involved engagement with all of the Company's key stakeholders to ensure that the Directors understand their views and interests when making decisions and when developing the Company's purpose, values and strategy. The Directors ensure that they listen to and consider the interests of the Company's employees and that it fosters relationships with the Company's customers and suppliers. The Directors work to ensure the sustainability of the Company's operations within local communities in the context of the potential impact on the local environment.

Hanson UK Sustainability Policy

Effective management of safety, health, environment, quality, carbon reduction and responsible sourcing is of key importance to the sustained success of the Company's business. The Company's sustainability objectives are reviewed regularly and communicated regularly to employees, contractors, visitors, key stakeholders and our supply chain to inform and promote wider adoption of responsible practices. As a minimum, as a Hanson UK company, the Company complies with all applicable law and regulatory requirements. Cooperation in the implementation of Hanson UK's sustainability policy is a condition of employment, partnership and supply.

Directors' statement of compliance with their duty to promote the success of the Company (continued)

Hanson UK Sustainability Policy (continued)

Full details of Hanson UK's Sustainability Policy can be found on the Hanson UK website at www.hanson.co.uk. The policy sets out Hanson UK's sustainability focus in terms of: ensuring business and product innovation by engaging with customers and stakeholders to continually improve Hanson UK's sustainability performance and adopt an integrated approach to achieve the highest standards in complying with ISO 9001, 14001, 45001, 45003 and 50001 together with BES 6001, National Highway Sector Scheme 16 and relevant CE certification schemes: ensuring health, safety and wellbeing in the workplace; ensuring environmental responsibility to collaborate with suppliers and fulfil Hanson UK's share of responsibility to limit global temperature rise to below 1.5°C; conserving natural resources and maximising the use of alternative materials and recycling; being a good neighbour and fulfilling our social value requirements based upon transparency and consultation, staff volunteering on community projects, with local jobs and local procurement; and being a fair, respectful and inclusive company.

During 2022 the Company continued to roll out its 2030 commitments in relation to the six key sustainability topics: business and product innovation; health, safety and wellbeing; environmental responsibility; resource use and the circular economy; being a good neighbour; and fairness, inclusion and respect. The 2022 Sustainability Report sets out the 2030 targets and records progress towards attainment of these objectives.

In 2022 the Company updated and revised its social value policy which is available on the Hanson UK website www.hanson.co.uk. The social value policy is founded on our core values and responsible leadership principles and applies to all areas of our business, our employees and all parties who undertake activity on our behalf. It focusses on six key areas of social value: collaboration, co-equality, championing local economies, community, climate and communication. It follows the national TOMS (Themes, Outcomes and Measures) framework and integrates our health, safety and wellbeing, and environmental commitments. A steering group ensures the principles of the policy are imbedded within the business. During 2022 further work was undertaken to enhance, measure and record Hanson UK's social value impact and we achieved certification to Social Value UK's Level 1 'Commit' stage of accreditation. A 'Let's Talk Sustainability' webinar was also held involving stakeholders from across the industry which explored social value and its increasing importance in the construction sector.

2022

During 2022 the Company continued or completed various strategic investments.

At Ketton, a new conveyor was installed to take clinker from the cooler to the clinker storage facility at a total cost of approximately £1,200,000, of which £782,000 was incurred during the year. This is energy-saving and will contribute to improved kiln reliability. An additional satellite burner for the kiln was also installed, which will significantly increase the plant's overall capacity to use alternative fuels. This contributed to a 7% increase in alternative fuels usage, a record level for the plant. It is expected that the alternative fuel rate usage will increase to over 85% in 2023.

At Padeswood, the new bypass was completed and successfully commissioned which enabled the plant to increase its overall alternative fuels usage. In addition, a new project was commenced to further increase the use of alternative fuels. The kiln will be able to burn up to 90% alternative fuels thereby reducing CO2 emissions.

The Company undertook engineering feasibility studies for carbon capture technology at Padeswood as part of the Industrial Decarbonisation Challenge. Following shortlisting of the cluster sequencing process project by the Government Department for Business, Energy & Industrial Strategy, work commenced on preliminary front-end engineering design (PreFEED) studies to develop the process design and prove the concepts generated in the feasibility study can be implemented. A final funding decision is expected in 2023 with an industrial carbon capture support contract agreement to be offered in 2024. This project can only proceed with government funding.

Directors' statement of compliance with their duty to promote the success of the Company (continued)

2022 (continued)

The Company carried out further trials to reduce CO_2 including finding alternative raw materials to replace pulverised fuel ash or the use of slag, a waste product from steel production, as a raw material. The Company will continue to focus on reducing CO_2 from its processes by finding more replacement products for its existing fuels and raw materials, as well as participating in industrial trials.

At Ribblesdale, a trial was also conducted at Ribblesdale to use recycled concrete paste in the wet gas scrubber to reduce CO_2, which was very successful.

In general, all of the Company's operational investments are made in the interests of ensuring long term sustainable production to service our customers and the continuity of safe operations for our workforce, delivering value for our shareholders and developing meaningful partnerships with our suppliers. Investments in new operations facilitate reductions in energy usage, water usage and emissions, lessening the impacts on both the environment and communities.

Information relating to the Company's investments, improvements, performance, outlook and sustainability was presented to stakeholders through various channels. For employees, this included the Employee Forum, a series of virtual town hall talks presented by the Hanson UK chief executive officer, driver forums, driver engagement days and management meetings with trade unions. Regular video updates from the CEO and business line managing directors on business performance and strategy were provided to the workforce in 2022.

The Company continued with the Hanson UK Fairness, Inclusion and Respect steering group which implements initiatives to help improve diversity and gender balance within the workforce.

2022 saw a gradual return to more normalised working practices for the commercial teams, but with a strong emphasis on making our customer interactions as efficient as possible. This meant that team members had both digital and physical customer meetings, as appropriate.

For the local communities where the Company's three cement production sites are situated, stakeholder engagement included the distribution of each site's local Open-Door community newsletter and communication through each site's community webpage. Site visits and tours continued throughout 2022. All site meetings and local face to face liaison meetings with community councillors were resumed and held as they were before the start of the pandemic.

Further investments and improvements in the interest of sustainability and the lessening of the potential for impact on communities and the environment include the following:

- The Company uses domestic and industrial waste derived fuels in its cement kilns, which reduces fossil fuel usage. The Company also manufactures cements containing less clinker and a higher proportion of limestone in order to reduce the level of carbon, embedded CO_2, in our product. The Company has a clear focus towards 2030 and beyond and is developing masterplans to meet the challenges of reducing CO_2 emissions working together with our ultimate parent company.

- The Company ensures that waste bypass dust from its cement plants is diverted from landfill and has undertaken research and development to convert this into an inert non-hazardous product.

The Company has also invested further in the Expert Systems platform for cement to enhance digitalisation, reduce energy usage and increase process efficiency, more particularly in a planning tool to allow the plants to plan production to meet customer needs but also utilise the low power periods during the day. Furthermore, the Company is proud of the continuing operation of the 13MW (gross) solar installation at Ketton, which represents a long-term partnership with the Company's suppliers.

Directors' statement of compliance with their duty to promote the success of the Company (continued)

2022 (continued)

Continuing improvement in the Company's health and safety performance in 2022 included a clearly defined health and safety improvement plan which was reviewed monthly by the Managing Director and which was focused on the key business risks and actions required to either eliminate or reduce them. Other improvements included tackling Potential Fatal Incidents (PFIs) and Lost Time Incidents (LTIs) to ensure both learnings and remedial actions, as well as ensuring the establishment of root cause analysis for accidents and severe near hits, with employees being trained in basic incident investigation and root cause analysis techniques. The Company continued to recognise the importance of mental health and wellbeing with the further training of employees in this area carried on during 2022. A new health and wellbeing advisor role was introduced into the sustainability team to continue to support the health and wellbeing strategy.

Steps taken during 2022 to ensure maintenance of a reputation for high standards of business conduct included training staff in many different compliance areas, covering our Code of Business Conduct, corruption and anti-bribery, competition law, data protection and modem slavery, all supported by a regime of policies and procedures that underpin the Company's purpose and values; the compliance program is supported by an online reporting platform that allows concerns to be reported and investigated outside of reporting lines.

Further information relating to the Company's work on sustainability, new rail links, site management contact details, arranging site visits, carbon reduction, energy, raw materials and water usage reduction, waste management, biodiversity, applicable quality processes, career opportunities and the minutes of each site's liaison meetings can all be found on Hanson UK's websites www.hanson.co.uk, careers www.hanson-careers.co.uk and community www.hanson-communities.co.uk websites.

Principal risks and uncertainties

Market Demand Risk

The demand for many of the products produced by the Company is closely linked with economic conditions, specifically levels of infrastructure and housing construction output. As a result, depressed economic conditions in the United Kingdom could have an adverse effect on demand for and pricing of the Company's products which could result in reduced sales and profits.

The Company works to build strong relationships with its customers and to provide a high quality service to them.

Regulatory Risk

Government policy relating to the development of transport infrastructure and housing have a significant effect on demand for the Company's products and, as a result, the Company's profitability. Decreases in government funding or in the allocation of those funds for transport infrastructure and housing projects could reduce the funds available for spending on the Company's products, therefore potentially reducing sales and profits.

Changes in government policy or legislation relating to planning, the environment, health and safety and industry related taxes could significantly affect the Company's regulatory compliance and other operating costs. Numerous governmental approvals are required for the Company's operations. In the past the Company has been required to make significant capital expenditure to comply with planning, water, air and solid and hazardous waste regulations. The Company may be required to make similar expenditure in the future to ensure business continuity and these are most likely to be in the areas of Energy and Carbon in the near future.

Principal risks and uncertainties (continued)

Seasonality risk

Extended periods of inclement weather can result in a material reduction in demand for the Company's products. It may also impact the Company's ability to produce products and consequently result in reduced revenues and profits.

Energy risk

The Company is a significant purchaser of energy and fuel for the processing and transport of its products. Increases in these costs can significantly impact the Company's costs and disrupt its operations. The profitability of the Company could be adversely affected if the Company was not able to recoup such costs in the prices of its products. The Company also attempts to limit its exposure to these risks by entering into hedges where appropriate. Transport logistics play an important part in the Company's supply chain. Any material disruption to, or lack of availability, of such transport support could significantly impact operating costs and reduce profitability.

The Company makes use of purchase contracts and is also part of the wider buying group for energy, in addition the Company has invested in facilities to enable the use of alternative fuels in its production process.

Credit risk

Credit risk is the risk of the Company suffering from the failure of a counterparty to settle a debt to the Company. The Company limits financial credit risk by ensuring appropriate credit checks are carried out on new customers. Existing customers are actively monitored and steps taken to recover overdue debts.

Production risk

The Company's production facilities are highly automated and the failure of a key component can cause production to temporarily cease, with the potential impact on cost and supplies to customers.

The Company has robust assessment programmes for all equipment which includes scheduled maintenance shut-downs. Furthermore, the Company maintains stocks of critical spares.

Systems compliance risk

The implementation of software to improve the efficiency and effectiveness of various business processes is an important contributor to the Company's ongoing operations. Failure to design, select appropriate suppliers and implement such systems effectively could result in unplanned costs or reduced levels of customer satisfaction. This could adversely affect the Company's results and profitability. The Company has a strong development and implementation process with a dedicated IT team to manage and mitigate any risk in this area.

Environmental risk

The Company's impact upon the environment or the effects of climate change could expose the Company to regulatory breaches, significant disruption, reputational risk or a reduction in demand for our products. Emission restrictions and the transition to a low carbon economy could impact performance. The Company closely monitors the latest legislation and enacts internal policies to ensure the environmental impact of the business is minimised.

Principal risks and uncertainties (continued)

Pensions risk

The Company operates a defined benefit pension scheme (the "Scheme"), which is closed to future accrual. The amounts reported in the accounts for the Scheme are based on advice from independent actuaries.

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 benefit obligations are linked to inflation. Meanwhile, 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 deficit.
- 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 liabilities.

Cyber Security Risk

Due to the current geopolitical situation and the increasing prevalence of cyberattacks as a business model, the threat of attack, especially from external sources, is significantly heightened. This could expose the Company to significant downtime, which could adversely affect the Company's performance.

To counteract this threat level, Hanson UK has recently appointed an Information Security Officer who will create and lead the Information Security Programme in the UK, intended to improve the maturity of Hanson UK's people, processes, and technology measured against the NIST (National Institute of Standards and Technology) Cyber Security Framework. This will include cyber education for all employees, introducing information security compliance check-points into the IT Demand/Delivery Process and supporting the creation and testing of business continuity plans at regular intervals.

Continuous improvements to the Company's IT networks evidence developments in cyber resilience, to ensure security and stability are maintained at a high level.

This report was approved by the board on 26 September 2023 and signed on its behalf.

Wendy F Rogers

W F Rogers
Secretary

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

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

Results and dividends

The profit for the year, after taxation, amounted to £13,657,000 (2021 - loss £3,023,000).

During the year, actuarial losses after taxation of £21,423,000 (2021 - £19,744,000 gains after taxation) were recognised in Other Comprehensive (Expense)/Income in relation to the Castle Pension Scheme.

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

Future developments

Sales price and costs continue to be managed carefully to alleviate the impact of reduced demand and uncertainty in energy and consumables, and margins are being maintained as a result.

Significant reductions in the use of fossil fuels is contributing to lowering CO2 output in line with the Company's investment plan. A Carbon Capture and Storage project is underway and progressing with the government to further reduce CO2 emissions.

Uncertainty concerning energy, raw material availability and costs remain against the backdrop of high inflation and increasing interest rates which have impacted market activity. The Company is confident that demand will return and that the Company is in a good position to maximise volume and margins through its plant capabilities and strong customer base. Current margins and a pipeline of carbon reducing investments provide a solid platform to capitalise on any market upturn.

Going concern

On the basis of their assessment of the Company's financial position, Hanson UK's divisional cash flow forecasts up to December 2024 and relevant enquiries, the Directors believe that although there is still a lot of uncertainty concerning energy, raw material availability and costs as a result of the impact of the Ukraine crisis, the Company continues to see demand for its products and growth in its revenue. Therefore no material uncertainty exists that may cast significant doubt on the ability of the Company to continue as a going concern.

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:

E A Gretton
M D Barlow
S L Willis
J P Morrish
A Quilez Somolinos

Research and development activities

The Company carries out research and development on its own behalf to advance the marketability of its products. Research costs are written off in the year in which they are incurred. Development costs are capitalised if they meet the criteria of IAS 38 Intangible Assets.

Engagement with stakeholders

The Directors' statement on compliance with their duty to promote the success of the Company included within the Strategic Report includes a summary of how the Company engaged with its key stakeholders during 2022.

Engagement with employees

The Company takes a number of measures to ensure proactive and meaningful engagement with its workforce - this applies to all employees and all companies within Hanson UK.

Hanson UK values engagement with its workforce, as a key stakeholder. The engagement takes place on many different levels, using a variety of formal and informal measures, which facilitates two-way dialogue to ensure employees have a direct voice to the executive team.

An employee forum has been established, with 11 active employee representatives representing the various business lines and staff functions. Historically, the forum met once a year with additional meetings held at the request of either the employee representatives or management. However weekly meetings with the employee forum were held from the start of the COVID-19 crisis to keep the representatives abreast of changing policies, business impact and performance with the forum members raising questions and providing feedback on behalf of their constituents. Following the pandemic it was agreed that more regular contact had been both beneficial and essential and that fortnightly meetings should now continue to be held to most effectively utilise the forum.

Four members of the forum also sit on the ultimate parent company's European Works Council, which the Directors believe represents a positive opportunity for the UK workforce to make its voice heard directly at the level of the ultimate parent company.

The employee forum acts as a key information and discussion channel between employees and executive management. At the September 2022 meeting, Hanson UK's chief executive officer (CEO), together with business line managing directors, provided detailed updates on health and safety progress and related improvement plans, on sustainability and our commitment to achieving carbon neutrality, on business performance and market outlook, as well as on the core objectives of our strategy.

Employee representatives raised numerous points of discussion during the meeting, with employees invited to anonymously submit questions in advance. These processes lead to a combination of management commitments, reviews and explanations on a wide range of safety, environmental, operational and commercial matters. Minutes are taken which are published on the Hanson UK intranet, together with the questions and answers. The Directors believe that the employee forum provides a positive and transparent means of engaging with the workforce as a key stakeholder, in the interests of the long-term sustainability of the Company and its operations.

In addition to the employee forum, the CEO delivers a national leadership communication roadshow each year. These take the form of informal town hall talks, with the CEO providing detailed updates to staff regarding business performance, strategy and the priorities for the year ahead, as well as giving the workforce the opportunity to put questions directly to the senior management in attendance.

Other measures to facilitate effective engagement with employees include the use of regular business update videos by executive management, as well as the quarterly publication of Hanson UK's Team magazine, which is sent to every employee's home address, and includes regular updates through the year on business performance and strategy. Hanson UK's Team magazine also communicates to employees the many positive measures Hanson UK takes to support our local communities as key stakeholders in the context of the long-term sustainability of our operations.

Engagement with employees (continued)

Additionally in November 2022 Hanson email accounts were rolled out to all blue-collar operational staff which has now given them access to all our digital communications, thereby improving our communication channels and allowing engagement with the wider workforce.

The Directors also value the consultations undertaken with trade unions, setting out detailed business performance updates when meeting with them. Driver forums have also been established, allowing focused engagement and briefings with the personnel in the supply chain. The Head of Human Resources supervises all of these processes and as a member of the Hanson UK executive team reports back on a monthly basis on feedback received from employees and on how the Company's values and culture are embedded within the workforce. Employee surveys have also been carried out periodically as a further means of monitoring the culture and values within our workforce, leading to the development of plans for managers to address feedback received. The 2022 employee survey showed a 5% further increase in employee engagement from 68% to 73%. The results were cascaded throughout the organisation and action plans are developed and implemented within each business line as well as Hanson UK. The next survey is due to be carried out in May 2024.

Hanson UK values the importance of visible felt leadership in managing all its operations. This involves executive management regularly attending site, to lead by example and engage with staff with regard to the vision, values and culture of Hanson UK, in order to ensure the health and safety of our employees and to monitor the degree to which our values are embedded within our operations.

A further component of engagement with employees is the annual Hanson UK return to work carried out on the first working day of the New Year, with a Back to Work safety stand down before the year's operations commenced, in order to cascade the 2022 year end performance and to communicate the plans for 2023. Each business line has put in place health and safety improvement plans which cover a range of topics throughout the year.

To continue to support our commitments to Health and Wellbeing a new Health and Wellbeing Specialist role was introduced in 2022 to assist with strategy planning, communication and engagement in this area. There are regular email circulations, lunch and learn sessions concerning Wellbeing topics and a published calendar of events for the year.

The health and wellbeing of employees are priorities which impact the success of the business. The steering group advocates mental and physical wellness for everyone at Hanson UK and encourages employees from all operations to become involved. Specialist Start the Conversation training is provided to line managers and supervisors and the Company works closely with the charity Mates in Mind to raise awareness of mental health issues among staff and provide mental health first aid training, so that managers feel able to recognise warning signs and ensure support. Additionally, over 150 mental health first aiders have been trained across the business and refresher training and coaching provided to ensure our first aiders are supported and their skills are kept up to date.

Hanson UK is committed to being a fair, inclusive, and respectful business, whilst raising awareness of key challenges both internally and across the industry. To implement this commitment, we have a Fairness, Awareness, Inclusion and Respect (FAIR) committee. Led by a member of the Hanson UK executive team and made up from a range of diverse backgrounds the committee shape our strategy and promote the business as a place where anyone, regardless of gender, background, age, ethnicity, disability or sexual orientation feels welcome and able to have a successful career.

In addition to the FAIR committee, there are now two employee networks: Network of Women (NOW) and the LGBT+ network. The Network of Women continues to be supported and is growing with fortnightly committee meetings held to monitor progress. The network host regular 'lunch and learn' sessions which are open to anyone in the business.

Since the launch of the LGBT+ committee in September 2021 the network has grown to include a wider range of employees. The network provides a community space for LGBT+ people and allies to communicate and share their experiences and provides peer to peer support for all persons.

Engagement with employees (continued)

To further imbed Inclusion and Diversity 25 Inclusion Champions have now been trained. The role of the Inclusion Champion is to be a visible point for questions, queries and situations involving diversity and inclusion, as well as to escalate issues or questions to the FAIR committee. They are role models for positive inclusion practice, promoting all aspects of diversity, inclusion and equality in the workplace. They also educate and demonstrate on appropriate constructively challenging non-inclusive situations including the use of toolbox talk sessions.

Employees are provided with an occupational health program that includes annual and biennial medicals depending on job profile. An Employee Assistance Programme (EAP) provides employees with immediate access to confidential 24-hour telephone counselling and support. The helpline is available to support all Hanson UK employees and provides support through work and life issues and problems arising, ranging from legal to medical, stress and general health, fitness and wellbeing advice. The EAP is completely confidential, with high level statistical information relating to usage level being passed to management for periodic review.

Hanson UK's values are also underpinned by a broad range of policies ranging from management responsibilities and matters of legal compliance, to dignity at work and ensuring fairness, inclusion and respect in the workplace at all times. Where employees do not feel able to express concerns within the structure of reporting lines, an online reporting platform has been established to provide employees with an opportunity to address any compliance related concerns and matters of potential policy transgression, within a safe and protected process; issues raised are reviewed and investigated, with reporting back to the Hanson UK executive team.

The various measures described in this report are reviewed annually by the Hanson UK executive team and the Company believes that collectively they allow for a strong level of communication and engagement with employees.

Disabled employees

The Company gives every consideration to applications for employment from disabled persons where the requirements of the job may be adequately fulfilled by a disabled person.

Where existing employees become disabled, it is the Company's policy, wherever practicable, to provide continuing employment under normal terms and conditions and to provide future training and career development.

Streamlined Energy and Carbon Reporting (SECR)

The SECR disclosure presents our carbon footprint within the United Kingdom across Scope 1, 2 and to some extent scope 3 emissions, an appropriate intensity metric, the total energy use of electricity, gas and transport fuel and an energy efficiency actions summary taken during 2022.

	Year to 31st Dec 2022	Year to 31st Dec 2021
Energy consumption used to calculate emissions (kWh)	329,671,857	358,310,664
Emissions from combustion of gas tCO_2e (Scope 1)	104	113
Emissions from combustion of fuel for transport purposes tCO_2e (Scope 1)	10,197	10,369
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel tCO_2e (Scope 3)	0	0
Emissions from purchased electricity tCO_2e (Scope 2, location-based)	55,322	66,504
Total gross tCO2e based on above (location-based)*	65,623	76,986
Intensity ratio (tCO_2e/Turnover in £000) (market-based)	0.2459	0.2885
Emissions from purchased electricity tCO_2e (Scope 2, market-based)	90	N/A
Total gross tCO_2e based on above (market-based)	10,391	N/A
Intensity ratio (tCO_2e/Turnover in £000) (market-based)	0.03894	N/A

*The presented emissions in this section differ from the total emissions of the Company.

Energy Efficiency Action Summary

The Company forms part of the Hanson UK operating division of Heidelberg Materials AG. Heidelberg Materials AG has committed to decrease its CO2 emissions. The 5 concrete promises announced at the Capital Markets Day in May 2022 and the Beyond 2020 strategy highlights sustainability, in particular carbon neutrality, as one core pillar of our business strategy.

Heidelberg Materials AG's long-term success depends on sustainable business practices as well as trusting relations with our neighbours, business partners, and employees. Therefore, the sustainability strategy of Heidelberg Materials AG is based on three pillars: environmental protection, social responsibility and good corporate governance (ESG), all contributing to the transformation towards a circular and sustainable building materials value chain.

The target is to enhance the value of the Group through sustainable and result-oriented growth. Earning the cost of capital and achieving sufficient financial performance are the necessary prerequisites to generate returns for shareholders and guarantee the Company's permanent entrepreneurial ability to act, allowing it to invest in innovation and growth as well as in the development of its personnel and the Company.

Heidelberg Materials AG has committed to decrease its CO2 emissions. The ambitious goals are anchored in Hanson UK's Beyond 2020 strategy and now also, since May 2022, in the 5 concrete promises that were presented by the CEO of Heidelberg Materials AG, Dr. von Achten at the Capital Markets Day 2022:

Streamlined Energy and Carbon Reporting (continued)

1. We focus on what we do best: heavy building materials.
2. We commit to generate 50% of our revenue from sustainable products by 2030.
3. We commit to reduce CO2 emissions by almost 50% to 400kg CO2/t CEM by 2030.
4. We will make this transition a successful business case.
5. We drive the change for the benefit of our customers, our shareholders, our employees, and the society we live in.

Heidelberg Materials AG's non-financial indicators have been subject to a reasonable assurance process to demonstrate both commitment and due diligence in reporting.

At the Company level these corporate commitments consolidate the approach taken. The Directors are focused on effective management of safety, health, environment, quality, energy, carbon, and responsible sourcing. These areas remain of key importance to the continued and sustainable success of the business.

The Company continues to use a systematic and integrated approach to energy and carbon reductions through its accredited management systems being certified to both ISO 14001 Environmental Management and ISO 50001 Energy Management, that covers all operations.

The Company continues to take a holistic approach to net zero, developing strategic carbon roadmaps across each product group to meet science-based targets and help fulfil its share of the responsibility to keep the global temperature rise below 1.5°C.

The Company strives for improvement opportunities across sites and operations and has recently completed a number of projects.

The Company has continued to work with the Mineral Products Association, key customers and suppliers developing new products with lower embodied carbon. This is part of an ongoing process for the introduction of lower carbon cement products. These products retain the same strength and durability as traditional products whilst using a higher proportional of alternative materials. Their introduction to the market needs to be carefully managed with changes to standards in partnership with regulators.

Following successful net zero fuels trials the Company is continuing to work with the Department for Business, Energy and Industrial Strategy (BEIS) and the Mineral Products Association (MPA) in a newly formed Cement Decarbonisation Working Group. The group has several technical sections where learnings from across the industry are progressed in partnership at a senior level with the intention of working with the government to create the ideal environment for industrial decarbonisation.

The Company is a partner in the HyNet North West consortium, the carbon capture and storage (CCS) project, which will play a critical role in the UK's transition to net zero CO2. The project will reduce annual regional CO2 emissions by up to 10 million tonnes – including 800,000 tonnes from the Company's Padeswood plant. The Company has made significant financial investiture keeping the project live while the government decides on the next stages.

With increasing volatility in the supply of fuels the Company has further increased its resilience with the capability to use a wider variety of alternative fuels and to maximise the biomass content of key fuels.

The Company has continued to see the benefits of revised quarry development plans, working in partnership with Heidelberg Materials AG's mobile plant specialist engineers and respected suppliers. Plans to develop additional hydrogen trials are also developing as is further development of the highly successful side burner modification projects which have yielded positive improvements.

The Company has established a culture of proactive and preventative maintenance using advanced tools such as vibration analysis and oil sampling. These systems maximise the effectiveness of process equipment through targeted and effective actions improving resource efficiency from existing assets. In addition to the focus on digitisation of data through improved metering the Company has improved tools for the assessment of carbon and energy efficiency benefits on all relevant capital expenditure.

Streamlined Energy and Carbon Reporting (continued)

The Company's primary electricity supply remains the zero carbon "BLUE for business" tariff from EDF, the only exception being the landlord sites. The Directors continue to support development projects for renewable energy including solar generation in partnership with suppliers at Company sites and within the wider supply chain. The Company has committed to decarbonising light company vehicles and has an increasing number of electric cars and vans across its fleet. In addition, the installation of charging points across both its sites and employees' homes has been facilitated with a partnership with Shell.

The Company continues to be certified to ISO 6001 Responsible Sourcing of Construction Products and aims to conserve natural resources using resources appropriately and sustainably and, where possible, by substituting primary resources with alternatives and recycled materials.

Methodology Notes

Reporting Period	January 2022 – December 2022
Boundary (consolidation approach)	Operational approach
Alignment with financial reporting	SECR disclosure has been prepared in line with Castle Cement Limited's annual accounts made up to 31st December 2022
Reporting method	GHG Emissions reporting are in line with the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard
Emissions factor source	DEFRA, 2022 for all emissions factors https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2022
Conversion factor source	Gasoline: Federal Register EPA; 40 CFR Part 98; e-CFR, June 13, 2017 EPA GHG Emission Factors Hub Diesel: U.S. Energy Information Administration – British Thermal Unit Conversion factors 2020 LPG: Climate Leaders Greenhouse Gas Inventory Protocol Core Module Guidance Direct Emissions from Stationary Combustion Sources 2008
Calculation method	Activity Data x Emission Factor = GHG emissions (tCO_2e) Activity Data x Conversion Factor = kWh consumption
Other relevant information on calculation	Where applicable consumption was converted to kWh using conversion factors linked above, while emissions were calculated with the DEFRA emission factors. The percentage of the Castle Cement Limited employee numbers of the total employee numbers (22%) is applied to the total transport diesel and petrol amount to estimate the company's usage. Diesel usage by forklift trucks is not yet tracked separately. An average 3.95 litre per hour consumption is assumed. Source: https://forkliftbriefing.com/save-money/the-forklift-fuel-robbery/ Based on experience an average of 2 hours per run time a day for all working days in the UK is estimated for 2 machines that work on sites.
Dual reporting approach	Dual reporting allows us to compare our purchasing decision (market-based approach – green electricity) to the overall GHG-intensity of the grid (location-based approach – grid electricity)
Amount of carbon free electricity (kWh) imported from the grid	285,694,545 kWh
Information on carbon free electricity	The electricity supplied to Castle Cement Limited by EDF for 01.01.2022 to 31.12.2022 has been generated from 100% carbon free (nuclear) sources, expect for landlord sites. Using the GHG Protocol Corporate Standards' market-based approach the above enables us to report "0" emissions under Scope 2.
Reason for the intensity measurement choice	For consistency, due to the cement market data order, turnover has been chosen for our intensity metric as the company is precluded by law from publishing production data. Turnover reflects business performance and following the recommendations of the SECR reporting guidance on financial metrics.

Streamlined Energy and Carbon Reporting (continued)

Exclusions	The Scope 3 transport fuels and the associated emissions were calculated in the first reporting year (2020) and were found to be de minimis. As the information is not practical to obtain routinely and is immaterial, we have excluded this category from our annual reporting. The usage of the truck fleet is non reportable as the company hires a franchise company.
Rounding	Due to rounding there might be a minor difference compared to the actual GHG emissions (no more than 1%).

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.

This report was approved by the board on 26 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 Strategic Report, 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;
- 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;
- make judgements and accounting estimates that are reasonable and prudent; 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 26 September 2023 and signed on its behalf.

Wendy F Rogers

W F Rogers
Company Secretary

Independent auditors' report to the members of Castle Cement Limited

Report on the audit of the financial statements

Opinion

In our opinion, Castle Cement 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: 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 Strategic report and 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.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and 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 Strategic report and 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.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to Health and Safety and environmental legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as UK tax legislation and the Companies Act 2006. 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; omitting, advancing or delaying recognition of events and transactions that have occured during the reporting period, and management bias in accounting estimates or judgements to manipulate results. Audit procedures performed by the engagement team included:

- Reviewing meeting minutes of the board for evidence of breaches of regulations and further reviewing any relevant correspondence;
- Identifying and testing journal entries based on our risk assessment and evaluating whether there was evidence of management bias that represents a risk of material misstatement due to fraud;
- Inquiries of management in respect of any known or suspected instances of non compliance with laws and regulations and fraud;
- Challenging assumptions and judgements made by management in their significant accounting estimates and obtained corroborative evidence to support their reasonableness;
- Incorporating an element of unpredictability into the audit procedures performed.

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.

Stuart Couch

Stuart Couch (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
27 September 2023

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £000	2021 £000
Turnover	3	324,999	266,828
Change in stocks of finished goods and work in progress		14,014	2,004
Other operating income	5	3,458	16,176
Raw materials and consumables		(171,627)	(134,492)
Other operating expenses	6	(91,621)	(79,194)
Exceptional items - impairment of tangible fixed assets	13	(3,958)	(10,116)
Staff costs	7	(46,917)	(43,631)
Depreciation and amortisation	14	(12,857)	(13,743)
Operating profit		15,491	3,832
Interest receivable and similar income	9	1,808	135
Interest payable and similar expenses	10	(764)	(587)
Other finance income	11	1,622	771
Profit before tax		18,157	4,151
Tax on profit	12	(4,500)	(7,174)
Profit/(loss) for the financial year		13,657	(3,023)
Other comprehensive (expense)/income			
Items that will not be reclassified to profit or loss:			
Actuarial (loss)/gain on defined benefit schemes	25	(28,564)	21,415
Movements of deferred tax relating to pension surplus	21	7,141	(1,671)
		(21,423)	19,744
Total comprehensive (expense)/income for the year		(7,766)	16,721

All amounts relate to continuing operations.

The notes on pages 24 to 52 form part of these financial statements.

CASTLE CEMENT LIMITED
REGISTERED NUMBER: 02182762

BALANCE SHEET
AS AT 31 DECEMBER 2022

	Note		2022 £000		2021 £000
Fixed assets					
Tangible assets	*14*		112,894		113,994
Investments	*15*		63,908		63,908
Defined benefit pension scheme asset	*25*		53,984		81,310
			230,786		259,212
Current assets					
Stocks	*16*	73,692		51,263	
Debtors: amounts falling due within one year	*17*	141,795		152,378	
Cash at bank and in hand		239		3	
		215,726		203,644	
Creditors: amounts falling due within one year	*18*	(153,064)		(153,963)	
Net current assets			62,662		49,681
Total assets less current liabilities			293,448		308,893
Creditors: amounts falling due after more than one year	*19*		(8,697)		(8,699)
			284,751		300,194
Provisions for liabilities					
Deferred taxation	*21*	(13,107)		(15,794)	
Other provisions	*22*	(29,712)		(34,702)	
			(42,819)		(50,496)
Net assets			241,932		249,698

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2022

	Note	2022 £000	2021 £000
Capital and reserves			
Called up share capital	*23*	70,000	70,000
Profit and loss account		171,932	179,698
Total equity		241,932	249,698

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 26 September 2023.

A Quilez Somolinos
Director

The notes on pages 24 to 52 form part of these financial statements.

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

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2021	70,000	162,977	232,977
Comprehensive income for the year			
Loss for the year	-	(3,023)	(3,023)
Actuarial gain on pension scheme, net of deferred tax	-	19,744	19,744
Total comprehensive income for the year	-	16,721	16,721
At 1 January 2022	70,000	179,698	249,698
Comprehensive expense for the year			
Profit for the year	-	13,657	13,657
Actuarial loss on pension scheme, net of deferred tax	-	(21,423)	(21,423)
Total comprehensive expense for the year	-	(7,766)	(7,766)
At 31 December 2022	70,000	171,932	241,932

The notes on pages 24 to 52 form part of these financial statements.

1. Accounting policies

1.1 General information

Castle Cement 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 '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;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- 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
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

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

On the basis of their assessment of the Company's financial position, Hanson UK's divisional cash flow forecasts up to December 2024 and relevant enquiries, the Directors believe that although there is still a lot of uncertainty concerning energy, raw material availability and costs as a result of the impact of the Ukraine crisis, the Company continues to see demand for its products and growth in its revenue. Therefore no material uncertainty exists that may cast significant doubt on the ability of the Company to continue as a going concern.

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 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised on the satisfaction of performance obligations, such as the transfer of a promised good, identified in the contract between the Company and the customer.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

1.6 Tangible fixed assets

Tangible fixed assets under the cost model, other than investment properties, are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the Company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

1. Accounting policies (continued)

1.6 Tangible fixed assets (continued)

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Freehold property	- Up to 50 years
S/Term Leasehold Property	- Over the lease term
Plant and machinery	- 5 - 20 years
Right-of-use leased assets	- Straight line over lease term

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

1.7 Investments

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

1.8 Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

1.9 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.

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets.

The Company's financial assets comprise cash, trade and other receivables.

Debt instruments at fair value through profit or loss

Debt instruments are subsequently measured at fair value where they are financial assets held within a business model whose objective is to sell the financial asset, 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. Any fair value gains or losses at each reporting period is recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

In addition financial assets where the contractual terms of the financial asset do not give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are also subsequently measured at fair value.

1. Accounting policies (continued)

1.9 Financial instruments (continued)

Debt instruments at amortised cost

Debt instruments 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.

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 Company always recognises lifetime ECL for trade receivables and amounts due on contracts with customers. The expected credit losses on these financial assets are estimated based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a 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 subsequent measurement of financial liabilities depends on their classification, as described below:

1. Accounting policies (continued)

1.9 Financial instruments (continued)

Fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss, when the financial liability is held for trading, or is designated as at fair value through profit or loss. This designation may be made if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or the financial liability forms part of a group of financial instruments which is managed and its performance is evaluated on a fair value basis, or the financial liability forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at fair value through profit or loss. Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

At amortised cost

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 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.

1.10 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into Sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Statement of Comprehensive Income.

1.11 Pensions

The Company has operated one defined benefits pension scheme and the pension charge is based on their full actuarial valuation dated 31 December 2021 for the Castle Pension Scheme.

1. Accounting policies (continued)

1.11 Pensions (continued)

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.

The Company also participates in the Hanson Industrial Pension Scheme (Defined Contribution Section). Company contributions are expensed to the Statement of Comprehensive Income as incurred.

1.12 Emission Allowances

The Company, as a manufacturer of cement, is involved in the United Kingdom Emission Trading Scheme ('UK ETS'), which aims to reduce greenhouse gas emissions.

Emission rights are shown as inventories. Emission rights granted free of charge are initially measured at a nominal value of zero. Emission rights acquired for consideration are accounted for at cost using the moving average method and are subject to write-down in the event of impairment. Provisions for the obligation to return emission rights are recognised if the actual C02 emissions up to reporting date are not covered by emission rights granted free of charge.

The amount of provision for emission rights already acquired for consideration is measured at the carrying amount and, for emission rights yet to be acquired in order to fulfil the obligation, at the market value as at the reporting date.

1.13 Interest income

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

1. Accounting policies (continued)

1.14 Provisions

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.

Provisions for the expected costs of rectification, kiln repairs and rationalisation are charged against profits when required. The effect of the time value of money is not material and therefore the provisions are not discounted.

1.15 Restoration

The Company aims to reinstate land following mineral extraction or industrial occupation to a beneficial use as soon as is reasonably practicable. This is done by consulting with interested parties to ensure that the after use is appropriate to both the needs of local people and the natural environment.

The Company makes a provision on a discounted basis to return a quarry site to a decontaminated, cleared and improved site and to make provision to restore the present extracted areas to currently anticipated after use. The unwinding of discounts relating to restoration are expensed to the Statement of Comprehensive Income and included in interest payable.

1.16 Current and deferred taxation

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.

1. Accounting policies (continued)

1.16 Current and deferred taxation (continued)

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.

1.17 Exceptional items

The Company presents as exceptional items those material items of income and expense which because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

1.18 Research and development

Research costs are expensed as incurred. Development expenditure on an individual project is recognised as an intangible asset when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development. Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the assets begins when development is completed and the asset is available for use. It is amortised evenly over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

1.19 Exploration for and evaluation of mineral resources

All costs associated with exploration and evaluation of mineral resources as well as the research phase, are expensed to the Statement of Comprehensive Income as incurred. Property, plant and equipment that is acquired in the exploration, evaluation or development phase which can then be further utilised within the business irrespective of the outcome of the exploration, evaluation or development phase is capitalised and depreciated over its useful economic life.

1. Accounting policies (continued)

1.20 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

1.21 Leases

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Leases for quarries do not fall within the scope of IFRS 16. These leases are considered pending transactions and the expenses are recognised in the material costs in the period in which they arise.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. The interest rates were calculated on the basis of the remaining term of the leases.

Lease payments included in the measurement of the lease liability comprise:
• fixed lease payments (including in-substance fixed payments), less any lease incentives;
• variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
• the amount expected to be payable by the lessee under residual value guarantees;
• the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
• payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is included in 'Creditors' on the Balance Sheet. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

• the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised discount rate.
• the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
• a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

1. Accounting policies (continued)

1.21 Leases (continued)

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are included in the Tangible Fixed Assets in the Balance Sheet.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss in Exceptional Items.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient.

2. Judgements 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 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.

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

Impairment of tangible fixed assets

A cash flow-based method in accordance with IAS 36 (Impairment of Assets) is used to determine the recoverable amount of cash-generating units as part of the impairment test for tangible fixed assets. In particular, estimates are required in relation to future cash flows of the groups of cash-generating units as well as to the discount rates used (discounted cash flow method). A change in the influencing factors may have a significant impact on the existence or amount of impairment losses.

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 25 for further details.

Restoration and environmental provisions

Provisions for restoration and environmental obligations are measured on the basis of an extrapolation of the claims and estimates of the development of costs. A change in the influencing parameters may have an impact on the Statement of Comprehensive Income as well as the amounts recognised in the Balance Sheet. The recognition and measurement of the other provisions are based on estimates of the probabilities of future outflow of resources and on the basis of empirical values and the circumstances known at the reporting date. The actual outflow of resources may differ from the outflow of resources expected at the reporting date and may have an impact on the recognition and measurement. Further explanations on provisions can be found in note 22.

3. Turnover

Turnover, pre-tax profit and net assets are attributable to the Company's principal activity, the manufacture and sale of cement primarily for use in the ready mixed concrete and manufactured concrete products industries.

All turnover arose within the United Kingdom.

4. 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 relates to the Company.

5. Other operating income

	2022 £000	2021 £000
Profits from sale of emissions rights	175	13,699
Profit on disposal of tangible assets	569	864
Net rents receivable	304	416
Foreign exchange gains	166	117
Other operating income	2,244	1,080
	3,458	16,176

6. Other operating expenses

	2022 £000	2021 £000
Selling and administrative expenses	6,883	5,239
Distribution expenses	42,595	41,583
Expenses for third party repairs and services	14,172	10,938
Fixed production expenses	8,273	7,608
Rental and leasing expenses	3,814	2,971
Other taxes	90	102
Foreign exchange losses	144	114
Loss on disposal	4	52
Other expenses	15,646	10,587
	91,621	79,194

7. Staff costs

	2022 £000	2021 £000
Wages and salaries	39,511	37,010
Social security costs	4,456	3,803
Other pension costs	2,950	2,818
	46,917	43,631

The average monthly number of employees, including the Directors, during the year was as follows:

	2022 No.	Restated 2021 *No.*
Production and distribution	611	610
Management, selling and administration	199	181
	810	791

The prior year figure for the average monthly number of management, selling and administration employees has been amended due to 26 employees being omitted in error.

8. Directors' Remuneration

The highest paid Director received remuneration of £nil (2021 - £nil) from the Company.

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £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 £1,684,000 (2021 - £1,780,000), which was paid by various fellow 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.

9. Interest receivable and similar income

	2022 £000	2021 £000
Interest receivable from group companies	1,808	135

10. Interest payable and similar expenses

	2022 £000	2021 £000
Discount adjustments on provisions	59	37
Interest on lease liabilities	254	392
Other interest payable	451	158
	764	587

11. Other finance income

	2022 £000	2021 £000
Net interest income on defined benefit asset	1,622	771

12. Tax

	2022 £000	2021 £000
Corporation tax		
Current UK Corporation tax on results for the year	46	41
Total current income tax	46	41
Deferred tax		
Origination and reversal of timing differences	4,182	1,688
Changes to tax rates	-	5,890
Adjustments in respect of previous periods	272	(445)
Total deferred tax	4,454	7,133
Taxation on profit	4,500	7,174

Reconciliation of the tax charge for the year

The tax assessed for the year is higher 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	18,157	4,151
Profit multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	3,450	789
Effects of:		
Expenses not deductible for tax purposes	(415)	(41)
Changes to tax rates	1,004	6,296
Adjustments to tax charge in respect of prior periods	272	(445)
Book profit on chargeable assets	(100)	(158)
Group relief	258	730
Transfer pricing adjustments	31	3
Total tax charge for the year	4,500	7,174

Change in corporation tax rate

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

13. Exceptional items

	2022 £000	2021 £000
Impairment of tangible fixed assets	3,958	10,116

An impairment assessment undertaken during the year resulted in charges of £3,958,000 (2021 - £10,116,000) against tangible fixed assets, as management identified a site which has been impacted by the local market conditions.

14. Tangible fixed assets

	Freehold property £000	S/Term Leasehold Property £000	Plant and machinery £000	Right of use property assets £000	Right of use other assets £000	Total £000
Cost or valuation						
At 1 January 2022	55,248	37	439,009	8,980	17,917	521,191
Additions	-	-	13,470	768	1,724	15,962
Disposals	(33)	-	(1,735)	(77)	-	(1,845)
Transfer to provisions	-	-	(137)	-	-	(137)
At 31 December 2022	55,215	37	450,607	9,671	19,641	535,171
Depreciation						
At 1 January 2022	39,707	37	353,808	1,667	11,978	407,197
Charge for the year on owned assets	602	-	8,554	-	-	9,156
Charge for the year on right-of-use assets	-	-	-	614	3,087	3,701
Disposals	-	-	(1,735)	-	-	(1,735)
Impairment charge	37	-	3,921	-	-	3,958
At 31 December 2022	40,346	37	364,548	2,281	15,065	422,277
Net book value						
At 31 December 2022	14,869	-	86,059	7,390	4,576	112,894
At 31 December 2021	15,541	-	85,201	7,313	5,939	113,994

14. Tangible fixed assets (continued)

Included in freehold property is freehold land at a cost of £11,969,000 (2021 - £11,972,000).

Plant and machinery includes £12,126,000 (2021 - £13,177,000) in respect of assets in the course of construction.

The net book value of owned and leased assets included as "Tangible fixed assets" in the Balance Sheet is as follows:

	2022 £000	*2021* £000
Tangible fixed assets owned	100,928	100,742
Right-of-use tangible fixed assets	11,966	13,252
	112,894	113,994

Information about right-of-use assets is summarised below:

Net book value

	2022 £000	2021 £000
Property	7,390	7,313
Plant and machinery	4,317	5,499
Motor vehicles	259	440
	11,966	13,252

Depreciation charge for the year ended

	2022 £000	2021 £000
Property	614	437
Plant and machinery	2,841	3,970
Motor vehicles	246	239
	3,701	4,646

15. Fixed asset investments

	Investments in subsidiary companies £000
Cost	
At 1 January 2022 and 31 December 2022	64,622
Impairment	
At 1 January 2022 and 31 December 2022	714
Net book value	
At 31 December 2022	63,908
At 31 December 2021	63,908

There was no impairment during the year as net assets exceed or equal the carrying value. Net assets have been used as an approximation of the fair value less costs of disposal.

Direct subsidiary undertakings

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

Name	Country of incorporation	Class of shares	Holding	Principal activity
Castle Building Products Limited	England and Wales	Ordinary	100%	Dormant
Castle Cement (Ketton) Limited	England and Wales	Ordinary	100%	Investment holding company
Castle Cement (Ribblesdale) Limited	England and Wales	Ordinary	100%	Investment holding company
		Deferred	100%	
Castle Lime Limited	England and Wales	Ordinary	100%	Dormant
Mantle & Llay Limited	England and Wales	Ordinary	100%	Dormant
Minster Quarries Limited	England and Wales	Ordinary	100%	Investment holding company
Scancem Energy and Recovery Limited	England and Wales	Ordinary	100%	Investment holding company
Tunnel Cement Limited	England and Wales	Ordinary	100%	Investment holding company

The Company also held a 100% capital interest in Castle Pension Scheme Trustees Limited and CSPS Trustees Limited, two companies which are limited by guarantee without share capital. These companies are also incorporated in England and Wales.

15. Fixed asset investments (continued)

Indirect subsidiary undertakings

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

Name	Country of incorporation	Class of shares	Holding	Principal activity
Castle Cement (Chatburn) Limited	England and Wales	Ordinary	100%	Group finance company
Castle Cement (Clyde) Limited	England and Wales	Ordinary	100%	Group finance company
Castle Cement (Padeswood) Limited	England and Wales	Ordinary	100%	Group finance company
Castle Cement (Pitstone) Limited	England and Wales	Ordinary	100%	Group finance company
Chemical Manufacture and Refining Limited	England and Wales	A Ordinary	100%	Group finance company
		B Ordinary	100%	
		Ordinary	100%	
Ketton Cement Limited	England and Wales	Ordinary	100%	Dormant
Scancem Recovery Limited	England and Wales	Ordinary	100%	Investment holding company
Solrec Limited	England and Wales	Ordinary	100%	Group finance company
Thistleton Quarries Limited	England and Wales	Ordinary	100%	Dormant

The registered office of the investments incorporated in England and Wales as at 31 December 2022 was Hanson House, 14 Castle Hill, Maidenhead, SL6 4JJ. After the year end, the registered office of these investments was changed to Second Floor, Arena Court, Crown Lane, Maidenhead, Berkshire, SL6 8QZ.

16. Stocks

	2022 £000	2021 £000
Raw materials and consumables	44,031	35,340
Work in progress	21,245	11,802
Finished goods and goods for resale	8,416	4,121
	73,692	51,263

The difference between purchase price or production cost of stocks and their replacement cost is not material.

17. Debtors

	2022 £000	2021 £000
Due within one year		
Trade debtors	29,185	26,727
Amounts owed by group undertakings	112,103	125,559
Prepayments and accrued income	507	92
	141,795	152,378

Included within amounts owed by group undertakings is an amount of £97,388,000 (2021 - £110,361,000) which is unsecured, repayable on demand and accrues interest at overnight SONIA (Sterling Overnight Index Average) (2021 - overnight LIBOR (London Interbank Offer Rate)). GBP LIBOR was replaced by SONIA on 1 January 2022.

18. Creditors: Amounts falling due within one year

	2022 £000	2021 £000
Bank overdrafts	-	2,775
Trade creditors	53,492	52,131
Amounts owed to group undertakings	73,923	74,062
Other taxation and social security	8	5
Lease liabilities	2,240	3,520
Other creditors	5,169	5,551
Accruals and deferred income	18,232	15,919
	153,064	153,963

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

19. Creditors: Amounts falling due after more than one year

	2022 £000	2021 £000
Lease liabilities	8,697	8,699

20. Leases

Company as a lessee

The Company leases property, plant and machinery as well as motor vehicles.

Lease liabilities are due as follows:

	2022 £000	2021 £000
Not later than one year	2,240	3,520
Between one year and five years	5,133	5,250
Later than five years	3,564	3,449
	10,937	12,219

The following amounts in respect of leases, where the Company is a lessee, have been recognised in profit or loss:

	2022 £000	2021 £000
Interest expense on lease liabilities	254	392
Expenses relating to short-term leases	3,814	2,971

21. Deferred taxation

	2022 £000	2021 £000
At 1 January	(15,794)	(6,990)
Credited/(charged) to the Statement of Comprehensive Income	(4,454)	(7,133)
Credited/(charged) to other comprehensive income	7,141	(1,671)
At 31 December	(13,107)	(15,794)

The provision for deferred taxation is made up as follows:

	2022 £000	2021 £000
Accelerated capital allowances	(337)	3,617
Other temporary differences	726	917
Deferred tax on defined benefit pension	(13,496)	(20,328)
	(13,107)	(15,794)

22. Provisions

	Restoration provisions £000	Carbon emission provisions £000	Other provisions £000	Total £000
At 1 January 2022	4,190	28,496	2,016	34,702
Charged to profit or loss	-	-	827	827
Discounted adjustments	(59)	-	-	(59)
Transfer from fixed assets	(137)	-	-	(137)
Utilised in year	(585)	(5,036)	-	(5,621)
At 31 December 2022	3,409	23,460	2,843	29,712

22. Provisions (continued)

Restoration provisions

Restoration provisions relate mainly to the costs of restoring quarries and other sites after use as required by legal or other constructive requirements. Restoration and environmental provisions will be utilised as and when mineral reserves at the Company's quarries are extinguished.

Provisions for terminal restoration have been discounted at 3.665% (2021 - 1.152%) per annum on current prices and where appropriate have been established after taking account of the advice of suitably qualified and experienced consultants and after establishing the costs in line with current practice and standards. All amounts greater than 12 months are discounted.

Carbon emission provisions

Carbon Emission provisions relate to the obligation to return emission rights. These obligations are recognised if the actual C02 emissions up to the reporting date are not covered by emission rights granted free of charge. The amount of provision for emission rights already acquired for consideration is measured at the carrying amount and, for emission rights yet to be acquired in order to fulfil the obligation, at the market value per the European Union's Emissions Trading System as at the reporting date. Amounts have not been discounted as they are expected to be realised in less than twelve months.

Other provisions

This relates primarily to the specific provision held for required works improvements as well as claims for defective materials. Amounts have not been discounted as they are expected to be released in less than twenty-four months and discounting will not be material.

23. Share capital

	2022 £000	2021 £000
Allotted, called up and fully paid		
70,000,000 (2021 - 70,000,000) ordinary shares of £1 each	70,000	70,000

The Company has no authorised share capital limit.

24. Contingent liabilities

A subsidiary company has an obligation to undertake decontamination work which the Company has guaranteed. At present it is not practical to estimate the liability due to the significant uncertainty regarding the likely cost of the remedial work together with the timing of any payment.

The Company has been notified of a number of claims from former employees in relation to alleged health related issues. The Directors do not consider it probable that an outflow of economic resources will be required to settle the obligation nor can the amount of any obligation be measured with sufficient reliability.

25. Pension commitments

Main Scheme

During the year, the Company participated in the Castle Pension Scheme (the "Main Scheme") and relevant employees are eligible for benefits under the main scheme, which is 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 December 2021 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 December 2021, 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. There were no plan amendments, curtailments or settlements in the year. The duration of the defined benefit obligation is 12.9 years.

The Main Scheme was closed to future accruals in September 2010. Main Scheme assets are stated at their market values at the respective Balance Sheet dates.

The assets and liabilities of the Main Scheme at 31 December are:

	2022 £000	2021 £000
Main Scheme assets at fair value		
Cash and cash equivalents	8,062	126,804
Equity	39,243	41,763
Derivatives	-	34,114
Normal government bonds	33,791	14,391
Normal corporate bonds	56,170	69,599
Index linked bonds	87,348	45,928
Real estate	14,977	17,391
Other	-	18,521
Fair value of Main Scheme assets	239,591	368,511
Present value of Main Scheme liabilities	(185,607)	(287,201)
Defined benefit Main Scheme asset	53,984	81,310

Pension commitments (continued)

Scheme assets can be further disaggregated as:

Equity
Investments of £12,226,000 are in an equity pooled investment vehicle with indirectly observable inputs. The remaining investments totalling £27,017,000 are in an infrastructure equity pooled investment vehicle with inputs that are unobservable.

Normal government bonds
Investments of £33,791,000 are in a gilt pooled investment vehicle and £5,076,000 are in an a sterling liquidity pooled investment vehicle. Both investment vehicles have indirectly observable inputs.

Normal corporate bonds
Investments of £56,170,000 are in a corporate bond Buy & Maintain pooled investment vehicle with indirectly observable inputs.

Index linked bonds
Investments of £87,348,000 are in index-linked gilt pooled investment vehicles with indirectly observable inputs.

Real estate
Investments of £14,977 are in property pooled investment vehicles with inputs that are unobservable.

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 Main Scheme by investing in assets such as swaps which perform in line with the liabilities of the Main Scheme so as to protect against inflation being higher than expected.

The Trustees aims to achieve the Main 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 Main Scheme's liabilities. A number of investment managers are appointed to promote diversification by assets, organisation and investment style.

The Main Scheme has not invested directly in any of the Company's own financial instruments nor in properties or other assets used by the Company.

25. Pension commitments (continued)

Included within the Statement of Comprehensive Income/(expense)

	2022 £000	2021 £000
Expected return on Main Scheme assets	(7,247)	(4,756)
Interest on Main Scheme liabilities	5,625	3,985
Included within other finance income	(1,622)	(771)
Administrative expenses	384	341
Total	(1,238)	(430)

Included within Other Comprehensive Income/(expense)

	2022 £000	2021 £000
Actuarial (gain)/loss on Main Scheme assets	123,893	(4,979)
Actuarial (gain)/loss from changes in financial assumptions	(98,304)	(18,856)
Actuarial experience loss/(gain)	5,573	3,160
Actuarial (gain)/loss from demographic assumptions	(2,598)	(740)
Total actuarial (gain)/loss	28,564	(21,415)

25. Pension commitments (continued)

Changes in present value of the defined benefit obligations are analysed as follows:

	2022 £000	2021 £000
Opening defined benefit obligation	287,201	313,429
Interest cost	5,625	3,985
Actuarial (gains)/losses	(95,329)	(16,436)
Benefits paid	(11,890)	(13,777)
Closing defined benefit obligation	185,607	287,201

The main actuarial assumptions used in the valuation are set out below:

	2022 %	2021 %
Rate of increase in pension payments	2.97	3.16
Discount rate	4.80	2.00
RPI inflation assumption	3.20	3.30
CPI inflation assumption	2.60	2.75

The mortality assumptions are based on recent actual mortality experience of members within the Main Scheme with an allowance for future improvements. The assumptions mean that a member currently aged 65 is expected to live on average for a further 20.9 years if they are male (2021 - 21.4 years) and for a further 23.1 years if they are female (2021 - 23.4 years).

For a member who retires in 2043 (2021 - 2042) at the age of 65 the assumptions are that they will live on average for a further 22.2 years after retirement if they are male (2021 - 22.8 years), and for a further 24.7 years after retirement if they are female (2021 - 25.2 years).

The sensitivity of the present value of Main 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 14%
Rate of pension increase	Increase / decrease 0.25%	Increase 2% / decrease 2%
Life expectancy	Increase / decrease 1 year	Increase 4% / decrease 4%

25. Pension commitments (continued)

Changes in the fair value of the Main Scheme assets are analysed as follows:

	2022 £000	2021 £000
Fair value of plan assets at beginning of year	368,511	372,864
Expected return on plan assets	7,247	4,756
Administrative expenses paid by the plan	(384)	(341)
Actuarial gain on plan assets	(123,893)	4,979
Employer contributions	-	30
Benefits paid from plan	(11,890)	(13,777)
Total	239,591	368,511

Amounts for the current and previous four years:

	2022 £000	2021 £000	2020 £000	2019 £000	2018 £000
Fair value of Main Scheme assets	239,591	368,511	372,864	348,108	326,507
Defined benefit obligation	(185,607)	(287,201)	(313,429)	(278,167)	(280,844)
Surplus/(deficit) in Main Scheme	53,984	81,310	59,435	69,941	45,663
Experience gains/(losses) on Main Scheme assets	(123,893)	4,979	32,250	25,055	(9,549)
Experience (losses)/gains on Main Scheme liabilities *	(5,573)	(3,160)	2,903	15,640	2,934

* This item consists of gains/(losses) in respect of liability experience only and excludes any change in liabilities in respect of changes to the actuarial assumptions used.

UK legislation requires that pension schemes are funded prudently. The latest funding valuation was carried out as at 31 December 2021. The valuation showed a surplus of £23.0million, therefore no deficit recovery contributions were required. Administrative expenses, including levies payable to the Pensions Protection Fund (PPF), are met by the Scheme directly via a technical provisions funding reserve. The next funding valuation is due with an effective date no later than 31 December 2024.

The Company recognises the Main Scheme surplus in accordance with the requirements of IFRIC 14 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction". The Trustees of the scheme do not have the unilateral right to commence wind-up of the scheme. Thus, the Company assumes that the scheme continues in existence until the last benefit payments are made to members, at which point any residual assets are returned to the employer in line with the rules of the scheme.

The Company is not yet clear on whether the IASB's proposed amendments to IFRIC 14 will affect its ability to receive a refund of surplus in this situation. Once the amendments have been finalised, management will review the likely impact.

26. 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 fellow subsidiary undertakings	14,715	15,198
Amounts owed by ultimate parent undertaking	97,388	110,361
Amounts owed to direct subsidiary undertakings	(45,890)	(45,890)
Amounts owed to indirect subsidiary undertakings	(15,945)	(15,945)
Amounts owed to fellow subsidiary undertakings	(12,088)	(12,227)
	38,180	51,497

27. Ultimate parent undertaking and controlling party

The Company's immediate parent undertaking is HeidelbergCement UK 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.